

# FINANCIAL TIMES

WEEKEND OCTOBER 23/OCTOBER 24 1993

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## Libyan leader crushed uprising, diplomats say

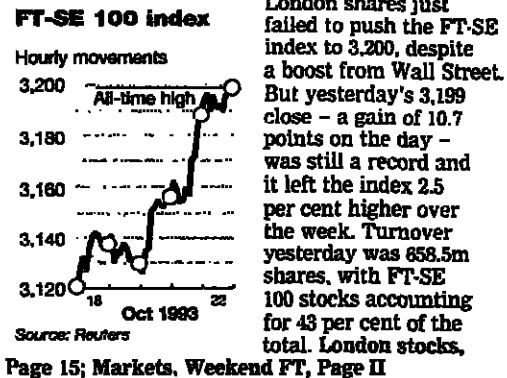
Libyan leader Muammar Gaddafi has crushed what seems to have been a concerted rebellion by parts of his armed forces, Arab and western diplomats say. They believe military units in as many as five centres launched a violent rebellion early last week and that the revolt was crushed with the help of the Libyan air force. Libya denies there was any unrest. Page 24

**Hurd defends Malaysia funding:** Britain went ahead with aid funding for an uneconomical hydroelectric plant in Malaysia because of commitments made by Lady Thatcher and fears trade would be damaged if it reneged on the contract, foreign secretary Douglas Hurd said. Page 24

**IRA threatens companies:** The IRA threatened five Northern Ireland companies which work for the security forces after admitting it murdered John Gibson, director of a building company which does work for the Army and the police. The terrorists singled out five companies which they said had such contracts.

**Yeltsin in power move:** Boris Yeltsin struck out references to the sovereignty of constituent republics from a new draft constitution - a move to recoup authority conceded to the provinces over the last year.

**Footsie index closes just below 3,200**



**Air France strike turns violent:** Air France strikers stoned police and barricaded motorways in their fifth day of disruption at French airports. Police at Orly airport south of Paris used tear gas after clashing with 3,000 strikers trying to march on to runways. Picture, Page 2

**Dangerous growth:** Uncontrolled and rapid economic growth has so polluted Asian cities that they are hazardous to live in, especially for children, the United Nations said.

**Japanese brokers recover:** A bond market rally and stock price recovery helped leading Japanese brokers achieve stronger performances for the six months to September. "Big Four" Nomura, Daiwa, Nikko and Yamachi returned to profitability from a year ago. Page 12; Tokyo prepares for autumn, Page 3

**Lottery race launched:** UK national heritage secretary Peter Brooke launched the contest for the right to run Britain's national lottery. Virgin chairman Richard Branson said he was considering applying to run the lottery on a non-profit-making basis, distributing all the proceeds to good causes. Page 6; Lex, Page 18

**Fiat, Italy's biggest private industrial group,** is to become one of a core of stable, long-term shareholders in French chemicals and drugs company Rhône-Poulenc, which is to be privatised in the next few weeks. Page 12

**Termac, Britain's biggest housebuilder,** is swapping its Hawkins Tiles clay tile-making business for building material group Marley's three brick factories and £2m cash. Page 10

**Welfare cuts approved:** Germany's lower house of parliament approved spending cuts which will cut unemployment benefit by three percentage points from 1994. The cuts are meant to save DM21.4bn (\$12.6bn) next year.

**Italian army chief quits:** General Goffredo Carino resigned as Italy's army chief of staff. The resignation marks the worsening relations between the government and the military, which is under fire for talking of coup conspiracies and failing to control the intelligence services. Page 2

**Teenagers indicted:** Four Florida teenagers, their ages ranging from 13 to 16, were charged with murder and attempted murder in connection with last month's killing of a British tourist.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,198.0 (+0.7)	New York 100	2,473.0
DAX	3,157.0 (+0.4)	DAX	3,157.0
FT-SE 250	3,157.0 (+0.4)	FT-SE 250	3,157.0
Nikkei	20,264.83 (+85.41)	Nikkei	20,264.83
Hang Seng	3,755.94 (+38.88)	Hang Seng	3,755.94
S&P Composite	467.26 (+2.40)	S&P Composite	467.26
US LUNCHTIME RATES		DOLLAR	
Federal Funds	2.15%	New York 100	2,473.0
3-mo T-bill	3.0875%	DAX	3,157.0
Long Bond	10.4%	FT-SE 250	3,157.0
Yield	5.90%	Nikkei	20,264.83
LONDON MONEY		NORTH SEA OIL (Argus)	
3-mo interbank	5.3 (5H)	Brent 15-day (Dec)	\$16.9 (17.25)
Libor long gilt	10.5 (Dec 11/93)	Gold	\$371.3 (372.8)
3-mo T-bill	3.0875%	New York Corn (Dec)	\$3.71 (3.72)
Long Bond	10.4%	London	\$369.0 (373.3)
Yield	5.90%	Tokyo close	¥108.45

## Steady UK growth eases pressure for cut in rates

By Emma Tucker, Economics Staff

**PRESSURE** on Mr Kenneth Clarke, Britain's chancellor of the exchequer, to cut interest rates ahead of next month's Budget eased yesterday with the release of figures showing that the UK recovery did not falter in the third quarter. Contrary to the expectations of many economists who were forecasting a slight slowdown in the pace of recovery, the economy expanded steadily in July-September, growing 0.6 per cent on the previous three months. However, the figures show that the recovery depends heavily on consumer spending and energy output rather than manufacturing, which declined over the quarter.

The 0.6 per cent seasonally adjusted rise in gross domestic product in the third quarter left output 2 per cent higher than in the same period a year ago. The quarterly rise was the same as the improvement between the first and second quarters of the year. Output excluding oil and gas production slowed, rising a seasonally adjusted 0.4 per cent in the three months to September compared with increases of 0.6 per cent and 0.5 per cent in the first two quarters of the year. Compared with a year ago, non-oil GDP in the third quarter was 1.8 per cent higher.

The economy has now expanded in five successive quarters. The growth compares favourably with other European Community countries, many of which remain in recession. But the latest figures show that energy production - boosted by a cool summer - and the services sector are spearheading the recovery.

The Central Statistical Office figures, which are provisional and incomplete, show that output from service industries rose 0.5 per cent on the previous quarter, and was up 2.7 per cent year on year. The economy has now expanded in five successive quarters. The growth compares favourably with other European Community countries, many of which remain in recession. But the latest figures show that energy production - boosted by a cool summer - and the services sector are spearheading the recovery.

## Amex launches flights or hotel reward scheme for cardholders

By Alison Smith

**AMERICAN EXPRESS** opened a new front in the battle for British credit and charge card customers yesterday by launching a rewards programme for its cardholders.

The scheme, which will offer members points towards air travel or hotel accommodation, was announced in the same week that Vauxhall, a General Motors subsidiary, became the first UK manufacturer to launch a mass market, general purposes credit card. American Express said yesterday that work on its "membership" scheme had begun more than a year ago, and that the programme was not a response to Vauxhall's card. It said the timing of the launch had been determined by the end of its negotiations with its six partners in the programme. The programme has run in the US since June 1991, and was launched in France during the summer. Membership of the programme.

Continued on Page 24  
New boy upsets friends, Page 9  
It's the motor card, Wkd IV

## Share prices rise to record highs

**INTEREST** rate cuts in continental Europe pushed share prices to record levels in the UK, Germany and France yesterday.

Denmark, Spain and Ireland all cut rates after Germany's surprise monetary easing on Thursday. The moves raised prospects for economic growth and prompted investors to sell the D-Mark in favour of the dollar and other European currencies.

On the London stock market share prices finished at a record for the third day running, with the FT-SE 100 index of leading shares closing 10.7 higher at 3,198. Page 24; World stocks, Page 20

Manufacturing output, however, has been falling. Although no September figure is available, earlier CSO statistics showed that manufacturing output fell 0.7 per cent in the three months to August, as recession in continental Europe hit exports.

In the service sector, distribution, hotels and catering grew 0.8 per cent quarter on quarter to stand 2.9 per cent up on a year ago. There were no figures for the other service sectors, but the CSO said transport sector output was up about 0.5 per cent while banking and financial services growth was "robust".

Earlier this year, many economists described the recovery as "perfect" with manufacturing output buoyant, inflation subdued and consumer activity relatively restrained. However, the recent drop in manufacturing output in the three months to August, three successive monthly rises in inflation and the latest provisional estimates of GDP suggest the pattern of demand has shifted.

Editorial Comment, Page 8; Lex, Page 24; Currencies, Page 13; London stocks, Page 15

## Howe gives damning account of Thatcher's last term at No 10

By Philip Stephens, Political Editor

**LORD HOWE** has given a damning indictment of Lady Thatcher's last years in 10 Downing Street, accusing the former prime minister of governing as if her personal interests were automatically identical with those of Britain.

In a detailed and caustic review of Lady Thatcher's memoirs published in today's FT, her former chancellor and foreign secretary says she came to regard criticism of her views as "unpatriotic". He also accuses her of offering a "comic" account of the 1986 Westland affair, the row which set the stage for Mr Michael Heseltine's challenge for the leadership four years later.

Lord Howe, whose resignation from the cabinet provided the trigger for that challenge and Lady Thatcher's subsequent resignation, stresses that the "triumphs" of her first two administrations should not be overlooked. But he adds that he has "no regrets whatsoever" about his damning resignation speech after he left the cabinet in the autumn of 1990.

## Lonrho feud over House of Fraser ends in truce at Harrods

### Rowland ends long dispute with Fayed

By Roland Rudd and Robert Peston

**MR TINY ROWLAND** and Mr Mohamed Fayed made peace yesterday. Their surprise settlement ended nearly a decade of feuding, during which one branded the other "the hero from zero" and, in turn, found his own name given to a stuffed shark in Harrods food hall.

Lonrho, the trading company where Mr Rowland has been the guiding light for 30 years, and the Fayed brothers announced they were abandoning their long-running legal battle over the Fayed's 1985 takeover of House of Fraser, owner of Harrods and other UK department stores.

Mr Fayed and Mr Rowland said their "longstanding relationship" of almost 20 years provided a stronger basis for a "constructive future" than disagreement. After several years of a ferocious legal and propaganda campaign against the Fayed's, Mr Rowland last night drank champagne with them at Harrods. Afterwards, the brothers removed the stuffed shark which they had christened "Tiny".

Mr Rowland first bought a stake in House of Fraser in 1977 and made a takeover bid for the company in 1981, which was blocked by the Monopolies and Mergers Commission.

He was furious in 1985 when the Department of Trade and Industry put no obstacles in the way of the Fayed's £615m for the company. Since then, he has spent tens of millions of pounds trying to wrest control of House of Fraser from the Fayed's and obtain compensation for Lonrho.

Mr Michael Cole, a House of Fraser director, said the peace deal had been negotiated by a Saudi Arabian businessman - a distant cousin by marriage of the Fayed's. The Saudi had met Mr Rowland in Paris "several weeks ago", according to Mr Cole, and suggested he meet the Fayed's.

A meeting between Mr Rowland and Mr Ali Fayed took place



Tiny Rowland (left) and Mohamed Fayed make their peace yesterday, watched by 'Tiny' the shark

at the Saudi's London home on Thursday, at which Mr Rowland said he wanted to end hostilities.

Mr Rowland yesterday drafted a press release saying the dispute was over and the release was then signed by him and Mr Mohamed Fayed. Mr Rowland then instructed his solicitors to end all legal proceedings.

The main court action was Lonrho's case alleging fraudulent misrepresentation and conspiracy to injure Lonrho by the Fayed's and their former financial advisers, the merchant

bank Kleinwort Benson. Lonrho is also dropping its legal action against Kleinwort and Mr John MacArthur, a former Kleinwort director who now has his own financial advisory business. An action against Lord Tebbit, who was trade and industry secretary at the time of the bid, is also being dropped.

Mr Cole said Mr Rowland was adamant that the peace deal is his initiative and that he was not responding to pressure from other Lonrho directors. However, Mr Dieter Bock, who acquired an

18.8 per cent stake in Lonrho and then became joint chief executive with Mr Rowland, has been working hard to end the dispute.

A DTI inspectors' report into the takeover, which was published in 1990, said that, in the course of their takeover, the Fayed's "dishonestly misrepresented their origins, their wealth, their business interests and their resources to the secretary of state, the Office of Fair Trading, the press, the House of Fraser board and House of Fraser shareholders, and their own advisers".

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GILT-EDGED EXPERTS

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## NEWS: INTERNATIONAL

# French market hits high after rate cut

By John Riddling in Paris

THE Bank of France yesterday announced the first cut in its key interest rate since the summer's European exchange rate crisis, strengthening the franc and pushing the Paris stock market to a record high.

The central bank said that the intervention rate, which acts as a floor for money market interest rates, would be cut by 0.3 percentage points, from 6.75 per cent to 6.45 per cent, with effect from Monday. The five to ten-day borrowing rate was cut by 0.5 percentage points to 7.25 per cent with immediate effect.

The cut in the two interest rates is consistent with France's cautious policy of gradually lowering borrowing costs while shadowing the Bundesbank and maintaining the stability of the franc. It comes at a time when the French government is under pressure to stimulate the recession-hit economy and cut the

level of unemployment, now 11.7 per cent and rising.

Economists in Paris said France would continue with its policy of gradual reductions in borrowing costs but could cut the intervention rate by a further quarter of a percentage point within the next few weeks following Thursday's half point cut in German interest rates. The CAC-40 index of leading French shares increased by almost 2 per cent, to 2230, as investors digested yesterday's cuts and anticipated further moves by France's monetary authorities.

The Bank of France said that yesterday's action "takes into account the general downward movement in rates in Europe and the objective of internal and external franc stability." The French financial authorities have sought to maintain a stable franc/D-mark rate since the franc was forced out of its narrow fluctuation bands within the European exchange rate mechanism by the sum-

mer's currency crisis.

The French franc strengthened in response to the interest rate cuts, rising above FFf3.50 to the D-mark, compared with last week's all-time low of FFf3.548.

The rise supported the view that foreign exchange dealers and investors are concerned principally with the need for lower borrowing costs to help lift it from recession. Economists said the modest cut could have an important psychological effect. Several commercial banks quickly responded, with the Banque Nationale de Paris, lowering base rates from 8.40 per cent to 8.15 per cent.

Figures released yesterday showed housing starts increased by 8.4 per cent in the third quarter while industrial production for July and August showed a strong rise of 1.3 per cent over June. Mr Edmond Alphandery, the economy minister, said 1994 would see GDP grow by 1.4 per cent.

## Good news on German inflation Banks act in Ireland Denmark and Spain

Producer prices in west Germany fell sharply last month, reinforcing signs of a continuing decline in inflation, reports Christopher Parkes in Bonn. Down 0.2 per cent on August, the September producer price index was 0.5 per cent lower than a year earlier, the federal statistics office announced yesterday.

The office pointed to a continuing trend: the August index was down 0.3 per cent year-on-year, and the July figure was 0.2 per cent lower, it said.

There were no price increases worth mentioning, it added, while some products were markedly cheaper than a year ago. The price of electrolytic copper was down 8.3 per cent, while reinforcing steel matting for the building industry was almost 5 per cent cheaper.

By Hilary Barnes in Copenhagen and Tom Burns in Madrid

DENMARK'S central bank cut its official discount rate to 7.25 from 7.75 per cent yesterday and its other key short-term interest rates from 8.5 to 8.0 per cent following the Bundesbank's cut on Thursday.

This was Denmark's fourth cut in the discount rate since late July, when interest rates were raised to protect the Krone from speculation prior to the partial suspension of the exchange rate mechanism. The Danish currency rose after the cut, lifting from the previous close of Dkr4.0157 to Dkr4.017.

Mr Henning Christensen, Denmark's EC budget commissioner, said interest rates in Denmark, where inflation is running at just over 1 per cent, remain high and continue to dampen investment. There

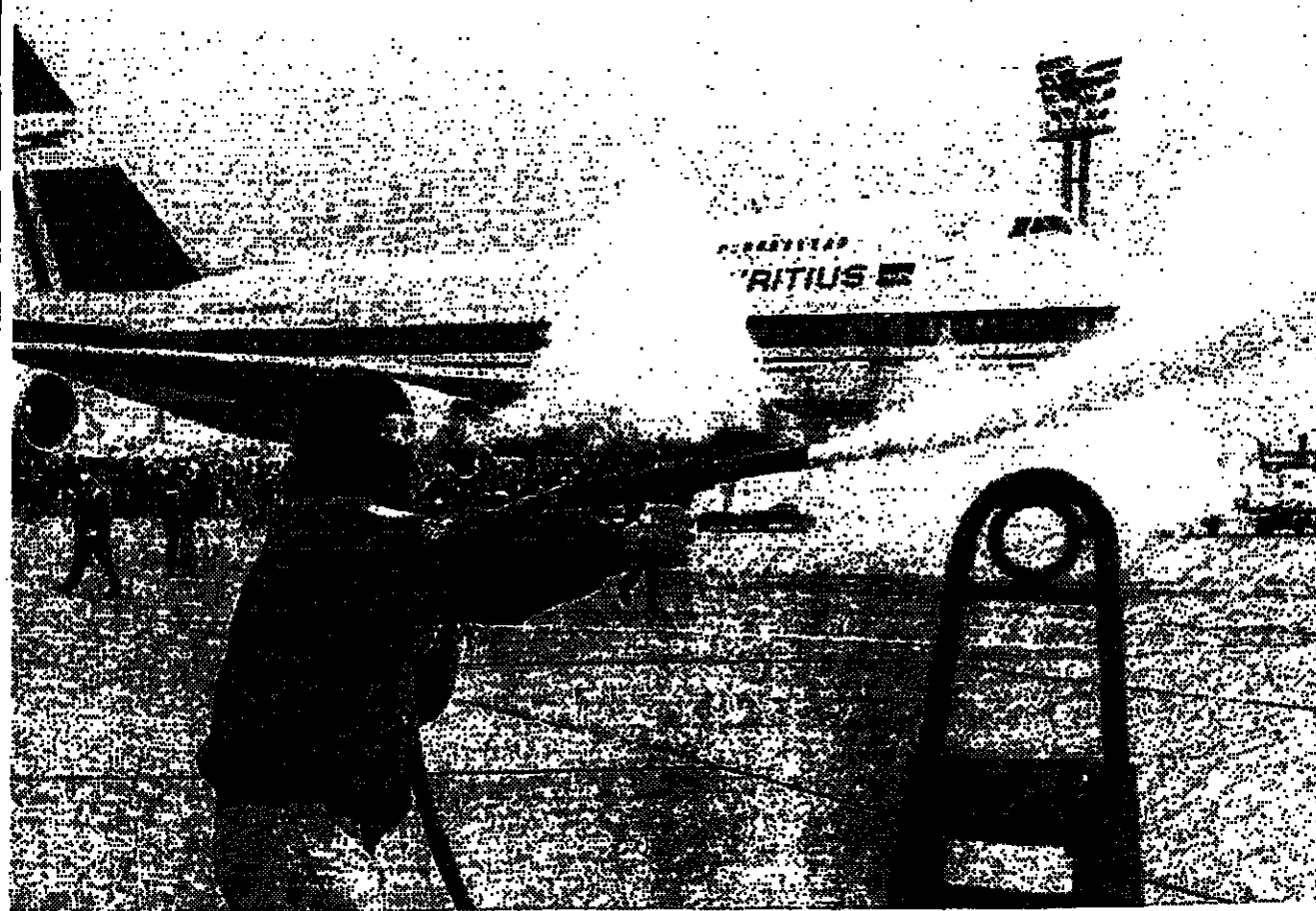
was a need for a further reduction in rates, he said.

Meanwhile, the Bank of Spain, which had already lowered its benchmark intervention rate by half a percentage point last week, yesterday surprised the markets with a further 25 basis points cut that brought the rate down to 9.25 per cent.

The bank said the favourable domestic economic circumstances that had prompted last week's cuts continued in place and allowed the authorities to shadow lowered rates elsewhere in Europe.

Ireland yesterday also cut its key short term facility rate, the rate at which it lends money to the commercial banks - by 0.5 per cent to a new level of 7 per cent.

Dublin economists said the development was unlikely to lead to early cuts in Irish retail bank or mortgage interest rates.



Leaders of the striking Air France workers were holding talks yesterday at the ministry of transport, after a morning of violence at Orly, the main Paris airport for domestic flights, in protest at planned cuts in bonuses and jobs, reports David Buchanan from Paris.

Aéroports de Paris, which runs Orly and the Charles de Gaulle international airport, said that by the early afternoon

flights were back to normal for all airlines except Air France, and the runways and roads in and around the two airports were clear. But continued calm in the industry largely depended on the outcome of the talks at the transport ministry.

Earlier, some 3,000 strikers had attempted, in their fourth day of industrial action, to march on to Orly's

runways, but had eventually been stopped by French police using teargas.

The strikers had nonetheless broken terminal doors and overturned a number of airport vehicles (see picture above), Aéroports de Paris said, causing a considerable amount of damage.

Mr Marc Blondel, leader of one of the two striking unions, sent an appeal to President Mitterrand to intervene.

## Pro-independence party could become main opposition

# Bloc Québécois stirs fresh fears

By Bernard Simon in Toronto

CANADA'S latest opinion polls suggest that the Bloc Québécois, whose main purpose is to pull Quebec out of Canada, could become the biggest opposition party in parliament after next Monday's general election.

Two polls published yesterday, one by Gallup and the other by the Angus Reid group, show that the Bloc, which currently has eight seats in the House of Commons, enjoys the support of 50 per cent of decided voters in Quebec.

With the Liberal Party sup-

ported by about 30 per cent of voters in the francophone province and the Progressive Conservatives by less than 20 per cent, the Bloc is expected to win the vast majority of Quebec's 75 seats in the 288-member House.

The polls agree that the Liberals are well ahead in the country as a whole. But they differ on whether the Liberals, currently the main opposition party, will win enough seats to form a majority government.

The Angus Reid poll suggests the Liberals will win 150-160 seats. But Gallup said the strength of the Bloc and

the populist Reform Party in western Canada could cost the Liberals a majority.

The two polls were among the last to be released before the election. Under election rules, a blackout came into force last night on publication of poll results.

The prospect of a separatist party becoming Her Majesty's Loyal Opposition has already stirred controversy. The official opposition is entitled to numerous parliamentary privileges, including the right to ask the first question in the daily Question Period, a substantial research budget and a

taxpayer-funded official residence for its leader.

The Reform party, based in western Canada, has questioned the appropriateness of using taxpayers' money to finance a group whose goal is to break up the country.

Mr Lucien Bouchard, the Bloc's leader, has indicated he may not claim all the perks. He said earlier this week the Bloc would use its position to prepare the rest of Canada for Quebec sovereignty. "English Canada doesn't know who we are and they don't know what we want," he said. "We have to clarify the situation."

## VW to close Seat plant

By Tom Burns in Madrid

VOLKSWAGEN, the German car group, yesterday formally told unions that it intended to close down the Barcelona plant of Seat, its troubled Spanish subsidiary, and shed 9,000 jobs.

The closure of the sprawling Zona Franca factory, on Barcelona's city outskirts, has been widely expected as Seat tumbled into losses which are expected to reach Pta100bn (\$205.05m) this year.

At the end of last month Seat's chairman, Mr Jose Antonio Diaz Alvarez, resigned when Volkswagen rejected an inadequate plan to cut 5,000 jobs at Zona Franca. Over the past three weeks the German group has been unsuccessfully lobbying the Spanish government in the hope that the administration would ease its burden through an injection of public money.

Unions leaders are due to meet in Barcelona today to coordinate what are likely to be big protests. Volkswagen's job cuts represents the biggest single labour shakeout in Spain's industrial history, as well as one of the most emotive.

The Zona Franca plant, where Seat began producing cars in 1951, is held as emblematic of Spain's post-war economic recovery.

Unions were told that the German group intended to shift production of the Toledo model from Zona Franca to Martorell, a Pta244bn plant that opened earlier this year, and which will now become the main production centre of the group's Spanish unit.

Production of the Marbella and the Terra models, which are also built at the Barcelona plant, would be transferred to Volkswagen's subsidiary in Mexico.

Under Volkswagen's plan 1,700 Seat employees on short term contracts will be made redundant with immediate effect, while 3,000 workers over 55 years old will be offered early retirement schemes. Jobs will be suspended for a further 4,300 Zona Franca workers.

## INVITATION TO TENDER FOR THE HIGHEST BID for the Purchase of the Assets of "METALLOUMIN S.A." of Athens, Greece

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouliou Street, Athens, Greece, in its capacity as Liquidator of METALLOUMIN S.A., a company having its registered office in Athens, Greece, [the "Company"], which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990 [as supplemented by article 14 of Law 2000/1991],

### announces a call for tenders

for the highest bid by submission of sealed binding offers for the purchase by public auction [the "Auction"] of the assets of the Company, as a single whole.

#### BRIEF INFORMATION:

The Company was established in 1977 and was declared bankrupt in 1988. Its activities included the production, sale and exporting of aluminium products and the extrusion of aluminium. The anodising of aluminium is also possible through the use of the existing machinery. The company stopped operating in 1988, while no personnel is currently employed. Assets include a factory consisting of several buildings, the total area of which amounts to 4,000 m<sup>2</sup> (legal proceedings are pending to cancel a lease of the factory to third parties), standing on a plot of 20,600 m<sup>2</sup>; machinery (part of which has been fiduciarily transferred to the "NATIONAL BANK OF GREECE" S.A.), mechanical equipment, furniture and other equipment, as well as materials.

#### OFFERING MEMORANDUM - FURTHER INFORMATION:

Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

#### TERMS AND CONDITIONS OF THE AUCTION

- The Auction shall take place in accordance with the provision of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon the submission and that the offeror shall give a personal guarantee in favour of such third party.
- Binding Offers: For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 22nd of November 1993, 11:00 hours, to the office of the Athens Notary Public Mr. George Stefanakos, 39 Akadimias St., Athens, Tel: +30-1-645 0422 or +30-1-360 6969, Fax: +30-1-645 0423. Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of no determination of a) the way of payment, or b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate from time to time in force (presently 34% yearly). Binding offers submitted later than the prescribed time limit as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
- Letters of Guarantee: Binding offers must be accompanied by Letters of Guarantee, for an amount of drs. Seventy Million (70,000,000), issued, in accordance with the draft form of Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of Guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letters of Guarantee shall be forfeited as a penalty.
- Submissions: Binding offers together with the Letters of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
- Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 22nd of November 1993, at 15:30 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
- As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded yearly.
- The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
- All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
- The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. Neither the Liquidator nor the Notary Public shall have any liability for any legal or actual defects of the assets. Submission of binding offers shall not be deemed to constitute any right for the adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.
- This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

FOR OBTAINING THE OFFERING MEMORANDUM AND FOR ANY FURTHER INFORMATION PLEASE APPLY TO THE LIQUIDATOR OF THE COMPANY "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1 Skouliou Street, 105 61 Athens, Greece, tel. +3-1-323 1484, Fax: +30-1-321 7905 (attn. Mrs. Maria Frangaki).

## Italian army chief resigns

General Goffredo Canino resigned yesterday as head of the Italian army's joint chiefs-of-staff in protest at the dismissal of a fellow general by Mr Fabio Fabbrì, the defence minister, reports Robert Graham from Rome.

The resignation marks a further deterioration in relations between the government and the military, under fire for talking of coup conspiracies and failing to control Italy's intelligence services.

Gen Canino's action was prompted by the dismissal on Tuesday of General Biaggio Rizzo, head of the Emilia-Tuscany military region. This followed Gen Rizzo's alleged failure to take disciplinary action over a senior officer under his command, General Franco Monticone, in charge of Italy's crack rapid intervention force. Gen Monticone's name has been dragged into print by a woman claiming to have been his mistress. She has talked of him collecting money for a coup next spring and his links with neo-fascist groups. Gen Monticone was removed from his command last week.

## Georgians retake Abasha

Georgia's Interior Ministry said yesterday government forces had retaken the west Georgian town of Abasha from rebels loyal to ex-president Zviad Gamsakhurdia. Reuters reports from Tbilisi.

It said government troops had moved on to the outskirts of Senaki and sent an ultimatum to rebels in the town to surrender. There was no independent confirmation of the report.

## Menem able to stand again

Argentina's Senate approved by a two-thirds majority a resolution calling for a constitutional amendment to allow President Carlos Menem to stand for re-election when his six year term ends in 1995, reports John Barham from Buenos Aires.

The present 1983 constitution bans successive presidential mandates.

## Bosnian Serb leader signs peace pact

By Laura Silber in Belgrade

Mr Fikret Abdic, a local Moslem leader in Bosnia's northwest, yesterday signed a peace agreement with Bosnian Serb leader Mr Radovan Karadzic in an attempt to undermine Mr Alija Izetbegovic, president of Bosnia.

In Belgrade for the first time since war erupted 18 months ago, Mr Abdic and his one-time rival Mr Karadzic signed a joint declaration which Serbian President Slobodan Milosevic said "brought peace to half of former Bosnia-Herzegovina" and could be a step towards the endorsement of the Geneva partition plan.

Mr Mate Boban, head of the Croat statelet in Bosnia, on Thursday signed a similar agreement in Zagreb, the Croatian capital, with Mr Abdic.

## Russia may curb aluminium imports

By Leyla Bouton in Moscow

RUSSIA may temporarily restrict its aluminium exports in an effort to stop the European Community from taking tougher action against what the EC considers "unfair competition".

Mr Maxim Medvedko, a senior official at the foreign trade ministry, said yesterday a conference of officials from major producing countries in Moscow this week had agreed to continue consultations next month or early December.

But he said that while a multilateral solution could take months to finalise, Russian and European Commission officials would meet in Brussels next week before EC ministers decided whether to extend the European Commission's temporary restrictions on imports of Russian aluminium.

If the EC ministers failed to restore free trade in aluminium, Russia might agree to a certain self-limitation in return for generous access to EC markets in what Mr Medvedko said would be "a very difficult compromise".

As a first step to deal with EC producers complaints the two sides have already agreed to introduce a system of double checking to prevent unlicensed Russian aluminium being exported to the EC through third countries such as the Baltic republics.

Meanwhile, Interfax news agency reported that a tender scheduled for November 15 would offer 20 per cent of a major aluminium plant, at Irkutsk in eastern Siberia, to western and Russian investors.

Most Russian aluminium plants have already undergone a first phase of privatisation by selling a majority of shares to their employees and management. But none have so far managed to attract large-scale capital investment for badly-needed modernisation.

The Irkutsk plant is said by local officials to have signed a memorandum of understanding on a reconstruction programme with Kalsco Aluminium of the US, which may take part in the tender, which seeks investment of at least \$37.5m.

## Clinton due to visit Moscow in January

By Gillian Tett in Moscow

US PRESIDENT Bill Clinton hopes to travel to Moscow in January for a joint summit with Russian president Boris Yeltsin, US officials announced in Moscow yesterday.

The announcement was made during a visit by Mr Warren Christopher, US secretary of state, who visited Moscow yesterday as part of a tour of the former Soviet states.

The visit, coming less than three weeks after Mr Yeltsin suppressed a hard-line revolt, provides a welcome sign of US support for Mr Yeltsin while he prepares for parliamentary elections in December.

During his time in Moscow Mr Christopher met Mr Andrei Kozyrev, Russian foreign minister, and was expected to meet Mr Yeltsin.

Diplomats in Moscow said it was expected that the discussions would cover Russia's economic and political situation, Russian links with Nato, further US help for Russian economic reforms, and American concern about the dismantling of Russia's nuclear arsenal, fuelled this week by outrage over the dumping of nuclear waste by Russian ships near Japan.

Mr Clinton is expected to travel to Moscow on January 10-11 officials said.

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## Mission to urge end to trade round

By Michael Holman in Unesco

A COMMONWEALTH ministerial mission will visit Paris, Washington, London and other capitals to stress the "urgent need" for a successful end to the Uruguay round of trade talks by mid-December this year, it was announced here last night.

The mission will call on "key participants" in the negotiations and "urge them to negotiate positively and flexibly to reach final agreement", said a statement issued by heads of government at the end of the second day of their five-day summit.

The Uruguay round has emerged as the main issue, with Mr Paul Keating, the Australian prime minister and Mr John Major, his British counterpart, playing leading roles. Both men have argued that the fact that the Commonwealth should have a special voice in trade negotiations since it includes members of the Cairns group and countries with francophone affiliations such as Mauritius and Canada, as well as straddling the developed and developing world.

"After seven years of effort, now is the time to secure the benefits of a successful Round package," said the statement. December 15, 1993 must be seen as the final deadline, it added.

It went on to call on the US, Canada, the EC and Japan - the so-called Quad countries, which agreed on a tariff reduction package in Tokyo last July - to "build urgently on the commitments they made, to secure a substantial market access package in which all can participate".

It continued: "Given the importance of agriculture to both developing and developed countries, we emphasise the need for an outcome which liberalises market access and reduces domestic support and export subsidies in accordance with the Draft Final Act, as

modified by the Blair House Accord." Earlier in the day Mr Keating had resumed his campaign for action by the Commonwealth. Mr Keating has made the running during the first 48 hours of the five-day conference of Commonwealth heads of government.

In doing so he has taken up the role of champion of developing country interests, and upstaged the British prime minister, Mr John Major.

Although Mr Major has himself made a strong plea for an early agreement, and spoken forcefully on the need for rapid implementation of Trinidad terms for debt relief, he has not had the same impact on the 50-member association, or enjoyed the same publicity.

Speaking during a closed door session yesterday, but taking care to ensure wide and early distribution of his address, Mr Keating told delegates: "It is time for the Commonwealth to say clearly to the world that the Uruguay round must be concluded this year. We have an opportunity to put the Commonwealth's name to a separate statement calling on all the participants in the negotiations to show good faith and stop using their self-interest as an excuse for a delay."

In calling for a "substantive statement" by the Commonwealth, Mr Keating has ignored the tradition that Commonwealth views on all the subjects under discussion are incorporated in a single communiqué, issued at the end of the summit.

Earlier in the day Mr Keating had what his officials described as a friendly meeting with Queen Elizabeth. Mr Keating has been at pains to reassure fellow leaders that Australia's intended move to republican status would not weaken Commonwealth ties.

Miss Benazir Bhutto, newly re-elected prime minister of Pakistan, arrived in Cyprus in time to take part in yesterday's discussions.

## Kashmiri conflict destroys a 'paradise'

Stefan Wagstyl on why prospects for a peaceful settlement appear more remote than ever

THIS siege of the Hazratbal mosque, the holiest Moslem shrine in Kashmir in northern India, is the result of four years of violence and four decades of political dispute.

Neither the separatists hiding inside the white marble buildings nor the Indian troops surrounding them are in any mood to compromise. The militants, who seized the shrine a week ago, want to walk free with their heads held high. The authorities want surrender. There seems little scope for a negotiated settlement.

What is true for the siege, seems tragically true for Kashmir as a whole: the uprising which started in late 1989 and which the security forces have tried to suppress with brutal force has almost killed hopes for a peaceful resolution of south Asia's most serious conflict.

The violence is prompting the international community to look at Kashmir with renewed urgency, out of concern for the fighting and for the damage done to relations between India and neighbouring Pakistan.

Much of Kashmir today is in the grip of a military-style occupation by at least 150,000 Indian soldiers and paramilitary troops, who have replaced the local Kashmiri police in front-line security duties.

A mainly Moslem population of 8m is ruled by a Hindu-dominated administration. Civilian officials go about their work under armed guard.

In Srinagar, the capital, and in other towns, there are sand-bagged bunkers at strategic points. Barbed wire is as common on the roadside as Kashmir's famous wild flowers.

Wooden houseboats which until the late 1980s took thousands of visitors across Kashmir's limpid green lakes are now rotting at their moorings. Once a Mogul poet wrote: "If there is paradise on earth, it is here, it is here." If he came today, he might think himself in hell.

Destruction is everywhere: Srinagar's Lal Chowk, the main market, is scarred by the blackened ruins of buildings set alight during disturbances earlier this year - by the security forces, according to the



Border security forces patrol the street to check Moslem militants activities in Srinagar yesterday. Security forces used tear gas to disperse thousands of people defying a curfew in a bid to march to the Hazratbal shrine

At least seven people were killed when Indian security forces opened fire to break up demonstrations against an army siege of Kashmir's holiest mosque on the Moslem sabbath on Friday. Reuters and Shriya Sidhva report from Srinagar.

A police statement said four died in a clash between security forces and

protesters in Fatha Kadal in the old quarter of Srinagar, capital of Jammu and Kashmir state. It said another three people died in violence involving demonstrators and security forces in Bijbehara town of Anantnag district, police added. But there were reports that the death toll there was at least 14 and there

were between 150 and 200 others injured.

Srinagar appeared to have calmed down towards evening, with armed soldiers and paramilitary police digging to maintain the siege on Hazratbal shrine where at least 50 militants and 150 civilians have been trapped since midnight, last Friday.

bloody inter-group conflicts.

The record of the security forces is also violent: international human rights groups have documented scores of cases of brutality, including killing suspects on arrest and in custody, rape and torture.

Just this week, Mr Mukhar Ahmed, a 25-year-old Kashmiri journalist, was arrested and interrogated for 13 hours. Trembling with fear, he showed marks on his ears where he said he was given electric shocks and bruises on the soles of his feet where he said he was beaten. His face was pale with pain; his eyes black and sunken.

The Kashmir dispute began

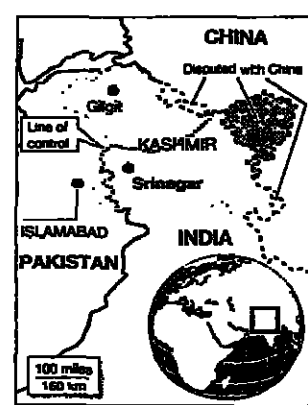
with the bloody partition of India in 1947, when Kashmir hopes for independence were ignored as Pakistan and India divided the territory. In 1949, the United Nations agreed with the status of Kashmir should be determined by a plebiscite - but it has never been held.

In 1972, India and Pakistan signed an agreement in the resort town of Shimla to the effect that Kashmir was a bilateral issue - so third parties, including Kashmiris and UN officials, no longer had a say. Indian officials argue the time for plebiscites is past and an all-India Kashmir is "an integral part of India." Pakistan

describes Indian-held Kashmir as disputed territory, which it claims for itself.

Just as government attitudes have hardened so have the views of Kashmiris. As a vegetable trader in Srinagar says: "We want the bloody Indians out. Once we could have lived with them. But now it is too late." Mr Mahmood Rahman, a senior official of the local state government, admits that "the alienation of Kashmiris is getting worse".

With considerable justification, Indian officials blame Pakistan for fomenting militancy by sending money, arms and trained terrorists. But the roots of insurgency lie much



deeper - principally in the fact that this isolated mountain land has been independent for long periods of time and, in common with other peoples united by history and culture, Kashmiris now want to assert their independence.

Most want to form a new state, though a significant minority, including some powerful Pakistan-backed militant groups, would prefer to accede to Pakistan.

Nationalist feelings have been heightened by religious differences: the global rise of Islamic militancy has given courage to Kashmiri insurgents and eroded Kashmir's tradition of Hindu-Muslim tolerance.

Over the years, Delhi has been caught between promoting democratic politics in Kashmir and suppressing anti-Indian political activity. The result is that about half urban Kashmiri youths are unemployed and so are fertile ground for militancy.

Kashmiri political leaders take heart from recent global political changes. "The old order is crumbling. Like the Soviet Union broke up, India may also break up," says Professor Abdul Gani, a representative of the All Party Freedom Conference, a newly-formed umbrella organisation of Kashmiri political groups.

Mr Gani suggests putting Kashmir (including Pakistani-held territory) under UN administration for five years followed by a plebiscite.

For Mr Rahman, the state government official, such suggestions are anathema. "These people want to go back to 1947. We cannot go back on history."

## Nissan reviews labour conditions

By Michio Nakamoto in Tokyo

THE latest clear signal that Japan's system of labour relations is under review came yesterday as Nissan, the country's second largest auto maker, said it would introduce a salary system for some of its managers that would lay greater emphasis on achievement than on length of service.

Beginning in July next year, Nissan plans to abolish the basic pay portion which is determined by length of employment and increase the proportion of achievement-based pay in salaries paid to some managers. The move, which reflects growing disenchantment among Japanese companies with the traditional seniority-based pay system, is expected to introduce significant differences in individual pay levels and will affect about 2,900 managers.

Nissan's salary system already comes in two parts - a basic pay portion, which changes according to the number of years an employee has been with the company, and an achievement-based pay portion. But in reality the salary of employees is determined largely by seniority, which in turn is generally based on length of employment. Under the new system, however, greater weight will be laid on factors such as the results of work done and the attainment of goals in determining individual pay levels.

## US and Japan post no progress in trade talks

By Michio Nakamoto

THE US and Japan concluded two weeks of trade negotiations yesterday, reporting little progress in bridging their principal differences.

While officials from both sides described the talks as useful and constructive, Japanese officials noted that some of the proposals made by the US to open Japan's market to foreign goods involved actions that were not within the authority of the Japanese government.

Mr Sozaburo Okamoto, vice-minister for international affairs at the Ministry of International Trade and Industry, emphasised that setting numerical targets for imports to Japan would run counter to the Japanese government's attempts to deregulate the country's markets.

## EC warns over market access

By David Gardner and Lionel Barber in Brussels

The EC yesterday warned the US and Japan that the offer on market access for industrial products it put forward this week within the Uruguay Round world trade reform talks is conditional on similar offers from them.

"There has to be an equivalent response from our partners," a senior EC GATT negotiator said, insisting that the US in particular has much further

to move on reducing "peak tariffs" - or those above 15 per cent - by the 50 per cent agreed at last July's summit of the Group of Seven industrial nations. Another Commission official said the EC offer was "a genuine attempt to unblock the market negotiations at this very late stage," as the December 15 deadline for concluding the Round looms. It was not, he said, "a finger-pointing exercise".

Nevertheless, the senior EC negotiator said the Commu-

nity had 101 "peak tariffs" against 863 for the US, 457 for Japan, and 918 for Canada. Although he acknowledged that "the Americans have very high peaks in some sectors and no tariffs at all in others," he underlined that in the US, 312 of these tariffs were over 20 per cent (against 11 in the EC), covering Ecu17bn (£13.15bn) of imports (against Ecu1.5bn in the EC).

A senior US official said the US had offered to cut 53 per cent of its peak tariffs.

with other industrialised countries. To that end, the US had presented publicly available data on the foreign penetration of the public procurement markets for telecommunications and insurance in G7 countries.

According to that data, foreign direct investment in Japan was only 0.7 per cent compared with 38.6 per cent for the EC and 26.6 per cent for the US. In the public procurement market for telecommunications equipment and services, foreign penetration was only 5 per cent in Japan, compared with a 25 per cent average in the other G7 countries.

Mr Peter Sutherland, GATT director general, repeated his call on Japan to accept tariffication of its rice market and said that if the Uruguay Round failed, Japan, the EC and the US would carry the primary responsibility.

## Tokyo prepares ground for upturn

By William Dawkins in Tokyo

THERE is no sign of an imminent Japanese economic recovery, but the grounds for an upturn are being laid, the Japanese central bank said yesterday.

The Bank of Japan's assessment, in its latest quarterly review, coincides with growing signs that the government will cut income tax to try to stimulate sluggish consumption.

Mr Morihiro Hosokawa, the prime minister, is planning to ask his coalition partners to agree to a ¥5,000bn (¥3,250m) tax cut, to take effect next

April, according to widely leaked reports to the press. It would be financed by stop-gap government bonds, until April 1995, when consumption tax would be increased from 3 per cent to possibly 7 per cent.

Mr Hosokawa is awaiting proposals from a panel on tax reform, due on November 16, before drawing up a bill to be tabled in parliament early next year, according to the reports. Government officials would not comment, but a tax cut is already reflected in equity prices, say stock market observers. Yesterday's assessment provides further evidence

that three government spending packages and seven cuts in the official discount rate over the past two years have failed to stimulate the economy.

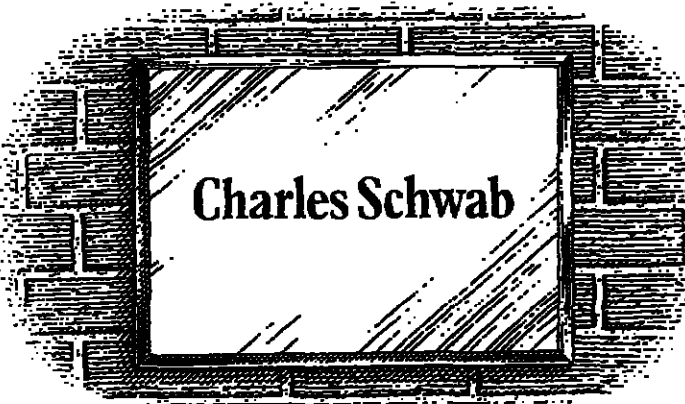
Public sector investment and private house building is growing, but this is not enough to make up for the weakness in corporate investment and consumer consumption, according to the survey.

The main uncertainties the bank sees ahead are the impact of the yen's rise on company profits and business sentiment; the influence of the weak job market on consumer consumption; and balance sheet adjust-

ments by banks and other lending institutions as they dispose of bad loans.

Commercial bank lending continues to be slow, despite record low interest rates. This is partly because of slack corporate demand for credit and cautious lending by banks. More companies are turning to the capital markets and finance corporations have increased lending, said the bank. Money supply, M2 plus certificates of deposits, rose by 1.8 per cent in the second and third quarters and is expected to rise by 2 per cent for the year.

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## NEWS: INTERNATIONAL

## Dawkins hails passing of federal budget

MR John Dawkins, the Australian treasurer, said yesterday the prospect of interest rate rises in Australia had been eliminated, now that the federal budget had passed through the Senate, writes Nikki Tait in Sydney.

An amended budget was formally approved on Thursday after two months of wrangling between the Opposition, the two minority parties who hold the balance of power in the Senate, and the government.

The uncertainty surrounding the budget's progress had previously unnerved the Australian dollar, and led the Reserve Bank governor to warn that interest rates might have to rise in support.

Business investment shows no sign of picking up

Mr Dawkins' remarks came as the treasury, in its latest quarterly bulletin, said the Australian economy was continuing to expand at a "moderate pace." However, the authorities acknowledged that business investment has yet to show any signs of picking up.

The June quarter saw "continued growth in private consumption, as well as strong contribution from the public sector," the treasury said. More recently, continued strength in housing indicators has suggested the housing cycle may not have run its course, although the industry anticipates a downturn to start in 1993/94, it added.

The treasury also noted the current account on the balance of payments had improved marginally in the last three months, and that price and wage pressures remained low. But it conceded that business investment remained lacklustre, despite the strong upturn in corporate profitability and low level of interest rates.

## BAe and Taiwan end talks without agreement



Hou: 'understanding' with BAe

By Daniel Green and Dennis Engbarth in Taipei

TALKS between British Aerospace and Taiwan Aerospace Corporation (TAC) over a long-delayed joint venture to build regional jet aircraft broke up yesterday little nearer resolution.

Both sides said the talks had been constructive and that they would discuss them at board meetings. They would not commit themselves to holding any further face-to-face discussions.

Failure to secure the venture, called Avro, would be a blow to BAe's plans to improve its performance. The regional jet business loses money and it has not made a full-year pre-tax profit since 1990.

Taiwan's government also wants the deal to go ahead as part of a policy to bring the island's engineering industries into the civil aviation sector.

But the proposals to build BAe's range of RJ regional jets in Taiwan in return for a cash injection have hit opposition from politicians, bankers and industrialists, who argue that they are uncommercial and too ambitious.

The centrepiece of yesterday's meeting was the TAC demand that BAe give a legally-binding commitment to the development of a new generation of aircraft, called the RJX. Without it, Avro would not have a product to take it into the next decade, argues TAC.

The government, which is TAC's biggest shareholder with a 19 per cent stake, supports this view.

Mr John Cahill, BAe's chairman, can point to one partial success during this week's visit. Yesterday they were able for the first time to present their case directly to several of the most influential members of TAC's board of directors.

Last week, BAe said that one of its aims was to clarify who was in TAC's negotiating team: the man who in January 1993 signed the original deal to create Avro, Mr Denny Ko, stepped down from his post of company president last month and Mr Earle Hou, the chairman, has also said he wants to leave.

Mr Hou said yesterday the two companies had "a mutual understanding" on the key issues of technology transfer and the specifications for a proposed advanced two-engine passenger jet. But he said he "had no comment" on whether BAe had agreed to make a legal commitment to co-develop the advanced RJX with TAC.

Reuters adds from Jakarta: Indonesia's Research and Technology Minister Jusuf Habibie said yesterday that the country's state-run aerospace company IPTN was in the final stages of talks with BAe on plans to co-operate in aircraft marketing.

## Egypt braced for big drop in tourism

By Mark Nicholson in Cairo

EGYPT'S travel trade is braced for another disastrous winter season, with the latest tourism ministry figures showing a 31 per cent fall in tourist nights for the first eight months of 1993 and hoteliers reporting occupancy rates limping along at 20 per cent in the country's traditional Nile resorts.

Ministry figures show the number of European visitors fell 25 per cent between January and August 1993 against the same period last year, with total arrivals down 20 per cent at 1.7m over the period.

Worse, hotel managers and booking agencies report no pick-up as the peak

winter season for European visitors begins. "The winter's already over for us," said the manager of one five-star Cairo hotel, which has forward bookings only for 20 per cent of the rooms over the next fortnight.

The continued slump in one of Egypt's main foreign exchange earning industries - it culled an officially estimated \$3bn (£1.9bn) in 1991/92 - is blamed on the effect of Islamic extremist attacks on tourist targets.

These have abated significantly in the past four months, mainly because of intensified security operations. But officials in the industry say the real effect of these attacks will be felt this year, since many international travel

agencies dropped Egyptian packages from this season's brochures.

Packages to Cairo and the main Nile resorts in Upper Egypt, Aswan and Luxor have borne the brunt. The Hilton group reports that occupancy in Upper Egypt hotels is just 20 per cent, while it is operating just one of its three Nile cruises. Individual rates on Nile cruises have been halved as a result to around \$400 for a week's cruise. "We haven't even created group rates for the winter season, because we don't get groups any more," said leading cruise operator.

Tourism to Egypt's newer sea and sand resorts in Sinai and the Red Sea, however, has been more resilient,

partly because there has been no extremist violence in either region. Hilton hotels in these resorts report a mild drop in trade, but with occupancy rates still at 80 per cent or more. Egyptian charter airlines confirm the trend. One, Transmed, a local independent, says it is even adding flights from Germany to Sinai.

The tourism ministry had hoped 1993 might cap a record 3.2m arrivals for the 1991/92 season, optimistically pencilling in a target of 4m. But with Arab holidaymakers also proving shy during the first eight months (they traditionally make up 45 per cent of all visitors) revenues will substantially undercut government targets.

## Israel to ease conditions for Palestinians

By David Horowitz in Jerusalem

ISRAELI yesterday announced it was easing a seven-month closure order in the occupied territories in an effort to bolster support among Palestinians for its autonomy accord with the Palestine Liberation Organisation.

However, the move did little to dispel the widespread Palestinian grief and shock over Thursday's assassination in Gaza of a leading member of the PLO, Mr Assad Saftawi.

Israel's police minister, Moshe Shahal, announced yesterday that from next week all Palestinian women, men over 40 and children under 16 will be allowed to cross from the occupied territories into sovereign Israel.

Doctors and Jerusalem city council employees will also be allowed in, he said.

But despite requests from PLO peace negotiator Faisal Husseini for a complete lifting of the closure order, most Palestinian men will still be barred from entering Israel.

The ban was issued after a spate of killings of Israeli soldiers and civilians last March, and Mr Shahal explained that it could not be completely rescinded because of continuing "security concerns."

The easing of restrictions, combined with Thursday's

agreement on a phased release of thousands of Palestinian security prisoners, were described by Israeli officials as "goodwill gestures" in advance of next spring's scheduled start of Palestinian self-rule in the Gaza Strip and Jericho areas.

But the gestures have been overshadowed by the death of Mr Saftawi, whose funeral in Gaza yesterday attracted a crowd of mourners estimated at 15,000. A lifelong friend of PLO leader Yasser Arafat, Mr Saftawi was arguably the most prominent loyalist in the Gaza Strip of Mr Arafat's mainstream Fatah faction which dominates the PLO.

But while Mr Sami Assaya, the official in charge of Fatah's Gaza offices, blamed Israelis or Palestinian collaborators for the killing, Palestinian sources and Israeli press reports yesterday insisted that Mr Saftawi was the victim of internal Fatah rivalries.

In Paris yesterday Mr Arafat warmly thanked France on its political and financial support for Palestinian self-rule, saying Paris would have privileged relations with "our new state."

On the second day of an official visit, Mr Arafat met parliamentary leaders in what he called their "temple of democracy" and pledged that the Palestinians would follow French revolutionary ideals of liberty, equality and fraternity.

## Boutros-Ghali in visits to Mogadishu, Baidoa

By Philip Gawth in Johannesburg

MR Boutros Boutros-Ghali, the UN secretary general, sought to retrieve the diplomatic initiative on Somalia yesterday with unannounced visits to the towns of Baidoa and Mogadishu, writes Leslie Crawford in Nairobi.

Mr Boutros-Ghali insisted on the visit against advice of senior UN and US officials, who feared his presence might fuel unrest.

It did. In Mogadishu, Gen Aideed's supporters greeted the secretary general's arrival with burning barricades and anti-UN demonstrations.

Mr Boutros-Ghali did not leave the airport, where he remained for just two hours. In his last visit to Mogadishu, he

was pelted with stones and abused by hostile crowds.

"With the ceasefire in Mogadishu barely two weeks old, we thought the secretary general was taking unnecessary risks," a western diplomat in the Somali capital said. But Mr Boutros-Ghali clearly felt he had to re-establish his leadership of the UN Operation in Somalia (UNOSOM) following the success of Mr Robert Oakley, US special envoy, in securing release of a captured American pilot and a Nigerian peacekeeper last week.

The hostages had been taken by Somalia's rebel warlord, General Mohamed Farah Aideed, who forced the UN to abandon its attempts to capture him in exchange for freeing the prisoners.

The UN military and civilian chiefs in Somalia, General Cevik Bir and Admiral Jonathan Howe, met Mr Boutros-Ghali in Baidoa, where the UN is well-liked. The dusty town has recovered from recent traumas of starvation and civil war thanks to western charities and UN agencies.

The hostile reception in Mogadishu, however, and the undercover nature of the secretary general's trip were not the best advertisements for attempts to forge a new initiative on Somalia. The UN is trying to organise a Somali reconciliation conference with the help of Eritrea and Ethiopia.



A Somali youth runs through burning roadblocks in Mogadishu yesterday, set up in protest at the UN chief's visit

## ANC, government agree on mobile phones and fuel

By Philip Gawth in Johannesburg

A MEASURE of economic peace returned to South Africa yesterday when breakthroughs were achieved on two lingering disputes over cellular telephone licences and a petrol price rise.

Threats by the African National Congress to nationalise the cellular telephone industry and by the trade unions to implement a mass action programme to resist a petrol price rise had done much to sour the optimism following the lifting of economic sanctions.

Yesterday, however, a joint statement from the ANC and government said Vodacom and Mobile Telephone Networks, the two companies issued with licences to operate cellular networks, could proceed "as soon as possible" with the establishment of their networks. The basis for the rapprochement was that the ANC backed away from its threats to nationalise

the operators in exchange for the two companies agreeing to increase black participation.

At the same time the government yesterday announced that the petrol price would be dropped by two cents a litre from October 30. This decrease follows widespread protest against the 7 cents a litre hike announced on September 15.

When, two weeks ago, the government refused to accept advice from the National Economic Forum (NEF), where business, labour and government are represented, to put the price rise on hold, trade unions and taxi-drivers threatened mass action.

Cosatu, South Africa's largest union grouping, welcomed the announcement, but said it still wanted the full 7 cents rolled back. It still has to decide on whether to pursue any action.

The NEF has urged that the whole structure of the liquid fuel industry, including pricing, needs urgently to be reviewed.

## Coups leaders in Burundi set up new committee

ARMY coup leaders who ended Burundi's fledgling democracy have set up a National Salvation Committee headed by a former interior minister and declared a state of emergency, Reuters reports.

State-run radio Burundi, monitored by Reuters in neighbouring Rwanda on Friday, said the committee had elected civilian Francois Ngeze as head of state. The committee would draw its membership from the armed forces, political parties, human rights groups and clerics.

Mr Ngeze, from the majority Hutu tribe, was interior minister in the government of military ruler Pierre Buyoya, defeated by President Melchior Ndadaye in Burundi's first multi-party elections in June. Paratroopers ousted Mr Ndadaye on Thursday, raising fears of a new ethnic blood-bath in the central African state of 5.6m people where the Tutsi minority have ruled the majority Hutu for centuries.

There is a big danger of the Hutu rising up against the army and against civilian Tutsis. This could lead to unprecedented levels of violence, turmoil in the country," a western diplomat in the Kenyan capital, Nairobi, said.

State radio in Rwanda, where an internationally-brokered peace deal offers hope of easing hostility between the two tribes, said Mr Ndadaye may have been killed.

Radio Burundi returned to the air at 8pm on Thursday and said all borders, the airport and port were closed.

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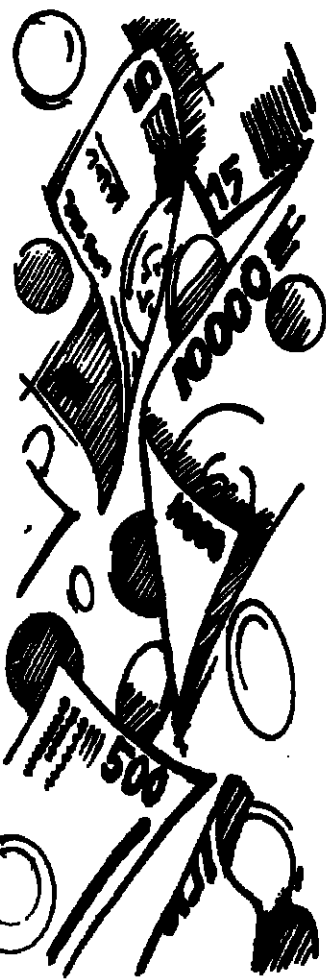
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NEWS: UK

# Banks fear £500m exposure on surety cases

By Robert Rice, Stewart Dalry and Alison Smith

THE BIG FOUR clearing banks could face exposure of between £400m and £500m each following a law lords ruling on Thursday that gives partners who act as surety for borrowings greater protection against losing their homes.

According to the Bank Action Group, a consumer pressure group, thousands of cases that were await-

ing the outcome of Mrs Bridget O'Brien's case against Barclays Bank can now go ahead. The group, which is already handling 30 similar actions, said it had been "flooded" with inquiries yesterday from people in similar situations.

Five law lords ruled that Mrs O'Brien could set aside a charge over her home in Slough, Berkshire, because her husband had lied about the extent of the guarantee liability, and the bank had failed to explain

the transaction to her and to suggest she seek independent legal advice.

Ms Patricia Griffiths, the national co-ordinator of the group, said: "I personally feel this decision does not go far enough. But it is clear the floodgates are now open."

She said the group had been advised that the clearing banks could face exposure of between £400m and £500m each.

Mr Eddy Weatherill, chief executive of the Independent Banking

Advisory Service, said it was already dealing with more than 50 cases that raised issues similar to the O'Brien case. That number would increase as the lords' decision became more widely known, he said.

But he added that the service was very worried about the growing number of cases where there were allegations of undue influence or misrepresentation by the bank.

The issue of bank honesty was now the fastest-growing area of cus-

tomers complaint, he said, and the service would be raising the issue at a meeting with the Bank of England next Friday.

The banks yesterday rejected Mr Weatherill's assertion and emphasised that they had procedures to protect the position of the guarantor who was not a partner in the business being guaranteed.

They acknowledged, however, that there was a limit to the information that could be disclosed to guarantors

without the agreement of the borrowers, since the bank had a duty of confidentiality to their customers.

The banks are reluctant to put a figure on their potential exposure to O'Brien-type cases but insist that each case will be treated on its own merits.

Both Barclays and National Westminster Bank, the biggest lenders to the small-business sector, claim there is only a small number of cases in dispute.

## BSkyB wins decoder case

BRITISH Sky Broadcasting yesterday won an undertaking from the Irish-based Satellite Decoder Systems to stop selling its pirated decoder cards in the UK, John Mason writes.

The undertaking covers all sales and advertising of the cards in the UK and also requires Mr David Lyons, who controls the company, to disclose the identity of his supplier to the court within 30 days.

Satellite Decoder Systems made the agreement prior to a High Court hearing at which BSkyB was seeking an injunction to prevent the marketing of the cards in the UK.

BSkyB said afterwards: "We are delighted with the outcome which reinforces the illegality of card piracy." Pearson, owner of the Financial Times, has a significant stake in BSkyB.

## Return of Heseltine the heavy hitter

By Michael Cassell, Business Correspondent

"HE'S DEFINITELY taking things easier. Instead of a 9½-day week, he's cut it down to six," confides a colleague of Mr Michael Heseltine, trade and industry secretary, who yesterday completed his first week back at work since his July heart attack.

After nearly four months of enforced leisure, during which he admits to having contemplated retirement from politics, Mr Heseltine is back at his desk.

In reality he put in about three and a half days this week. Looking slightly thinner and a bit older, he has been telling well-wishers of all political persuasions that his doctor has given him a clean bill of health. Even so, he emphasises that his return to the stressful, unpredictable world of Westminster will be carefully paced. "I am not going to rush back in," he insists.

Another colleague says: "He really is fine. But no one with any sense goes back after a heart attack with all guns blazing."

Mr Heseltine, who managed entirely to avoid the daily diet of red boxes during convalescence on his Oxfordshire estate, appears happy that reform of the Department of Trade and Industry aimed at helping improve Britain's industrial competitiveness were pursued in his absence.

Much of the responsibility for filling the gap fell to Mr Tim Salisbury, a member of his ministerial team. But in the words of one DTI official: "There are some things which need a heavy hitter and it is good to have him back." The sentiment is shared by many MPs, who believe his heavy-weight contribution has been badly missed by a government in trouble.

With his planned return to the DTI temporarily postponed following a bad bout of flu - inevitably giving rise to speculation that he was far from fully recovered - Mr Heseltine briefly popped into his Victoria Street offices on Monday.

On Tuesday he attended cabinet and on Wednesday took a front-bench seat to hear Mr Tim Eggar, the energy minister, make a statement on coal.

By Thursday he had attended a meeting of the EDD special cabinet committee. Yesterday he was at home in his constituency.

Next week Mr Heseltine's diary includes a Commons debate on coal - Mr Eggar is likely to lead - a Conservative party constituency dinner and a reception in Birmingham.

Ahead of him are decisions on coal privatisation and the future of the Post Office, a deregulation bill and plans for opening a national chain of "business link" advice centres.

As for suggestions that Mr Heseltine's return to the DTI will be short-lived, he says he is pledged to seeing through the changes in the DTI which will help it bat for Britain. After four months under temporary management, it looks like business as usual.

## Branson may bid for lottery on non-profit basis

By Raymond Snoddy

MR RICHARD BRANSON, chairman of the Virgin Group, said yesterday he was seriously considering applying for the licence to run the UK's national lottery on a non-profitmaking basis, distributing all the proceeds to good causes.

Mr Branson confirmed that he has a team working full-time on a possible application and said he had the support of

influential businessmen, although he declined to name them.

"We are seriously looking at it and we think it should be run this way [non-profitmaking]", Mr Branson said.

Mr Branson's comments came on the day that Mr Peter Brooke, national heritage secretary, formally launched the lottery race following royal assent for the National Lottery Bill.

"I believe that we are on the

threshold of great things. A flutter for the punter and a bonanza for good causes," said Mr Brooke, who is taking a conservative view of turnover by predicting revenues of £1.5bn a year. Most specialists looking at international experience believe that a properly run lottery in a country the size of the UK ought to be able to raise more than £3bn a year.

Even at £1.5bn, prizes could total £14m a week with some potential operators talking

about a top prize of as much as \$5m a week, drawn on national television.

Mr Brooke yesterday appointed Mr Peter Davis, deputy chairman of Abbey National, the bank, as director-general of the Office of the National Lottery. Mr Davis, who will invite tenders for running the lottery, license each game and monitor the operation, will publish a draft licence soon.

Mr Davis said yesterday that

the licences would probably run for between five years and 10 years. The likelihood period will be about seven years.

He confirmed that non-profitmaking organisations would be able to apply for the licence and would be treated the same as other applicants. The aim would be to maximise the money raised for the five "good causes" - the arts, charities, sports, national heritage and a millennium fund.

Mr Branson, who first

approached the Home Office with the idea of a national lottery for good causes four years ago, envisaged setting up a foundation. He said he would decide within the next month whether to apply.

Mr Brooke said he hoped the first tickets would go on sale late next year or early 1995 and Mr Davis said he hoped to award the licence to operate the lottery by next spring.

Lex, Page 24

## Police seek riot TV film in court

THE integrity and impartiality of the media will be undermined if untransmitted television film of last month's Whitechapel riot is handed over to police, a court heard yesterday.

Four television companies are opposing an application by the Crown Prosecution Service for surrender of the footage.

The BBC, Independent Television News, London News Network and BSkyB - the satellite television venture in which Pearson, owner of the Financial Times has a substantial stake - argued through counsel at Southwark Crown Court that the public interest would not be served by surrender of the material.

Ms Susanna Fisher, for the TV companies, told the court: "Although we accept that it is in the public interest that material be produced so that the guilty are convicted and the innocent are protected, we say there is a competing public interest."

The disturbances erupted during a vigil on September 10 by more than 300 demonstrators - mainly Asian - outside the Royal London Hospital in Whitechapel, east London, where a Bengali teenager, who was attacked two days earlier by a gang of eight white youths, was on a life-support machine.

During the riot, police were pelted with stones and other missiles. Ten people were arrested and 25 police officers were injured.

Mr Jeremy Benson, for the CPS, told Judge Gerald Butler QC the police were seeking an order for the material to be handed over to them under the Police and Criminal Evidence Act 1984. Officers wanted to see footage which had not been screened to see if it contained evidence to help in the prosecution of those responsible.

The judge will give his ruling on Monday.

CHANNEL FOUR Television is to screen an arts documentary including clips from the banned film A Clockwork Orange after a Court of Appeal decision to lift an injunction preventing the programme being shown, John Mason writes.

The injunction had been made earlier this month by Time Warner, the film producer and distributor, which claimed the use of the clips broke copyright law.

However, three appeal court judges ruled yesterday that Warner had failed to show Channel Four had infringed the "fair dealing" provisions of the Copyright Act 1988 which allows excerpts of films to be used for review purposes without permission from the copyright owners.

The documentary is scheduled for next Tuesday's With-out Walls arts programme.

Mr Peter Bell, editor of television news programmes, will become head of news programmes, responsible for all news output.

● BBC Enterprises announced yesterday that deals worth £10m were negotiated during the recent media market at Cannes. Deals included the sale of Thatcher: The Downing Street Years.

## Abramsky to head new BBC service

By Raymond Snoddy

MS JENNY ABRAMSKY has been appointed controller of the new BBC radio news and sport network, due to launch on March 28 next year on the present Radio 5 frequencies.

Ms Abramsky has been editor of news and current affairs for BBC radio since 1987 and is a former editor of Today programme on Radio 4.

Yesterday she said she was sure that the combined power of live sports broadcasting and an up-to-the-minute news service would prove "a winner".

Mr Mike Lewis, head of sports and outside broadcasts for BBC radio, has been made deputy controller.

The appointments coincide with the introduction of a "bi-media" management structure in BBC news and current affairs combining radio and television resources.

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## Rail telecoms move is threat to union deal

By David Goodhart, Labour Editor

THE reorganisation of British Rail Telecommunications before its planned privatisation threatens the only single-union deal established within BR.

Meanwhile RMT, the main rail union, has warned that splitting off the telecommunications function from signalling could threaten safety.

RMT, which has no members inside BRT, said yesterday that it would be pressing for recognition or for a new ballot on union recognition when more than 1,500 RMT telecommunication workers join BRT before April next year.

When BRT was set up in 1990 to take advantage of the liberalisation of the telecommunications industry it was given the freedom to establish its own industrial relations machinery. It decided to reject BR's multi-union culture and ran a ballot between three unions which was won by the TSSA.

BRT at present employs about 650 people but over the next few months this will rise to 2,700 as it absorbs a large number of operational telecommunication staff from BR, most of whom are RMT members.

BRT managers accept that they will have to review the situation after the occupational structure of the company

changes but they may want to retain the single union recognition which could be attractive to potential buyers.

RMT said yesterday the changes could pose a safety hazard. Signalling and telecommunications functions were often carried in the same cables and could affect each other. "If the telecom staff are going to come from a non-rail background with no knowledge of signalling it is potentially very dangerous," said an RMT official. Telecoms staff had recently prevented a disaster when a signalling system broke down. "If telecoms staff are recruited from outside that will no longer happen."

## Imro raises fines sharply

By Andrew Jack

IMRO, the self-regulating body for the fund-management industry, has substantially increased the fines that can be levied under its disciplinary procedures.

The maximum fine which can be awarded against a member for any single charge by its own disciplinary committee is to rise from £150,000 to £1m.

This contrasts with an alternative, more formal membership tribunal operated by Imro which has no ceiling on fines.

The increase in fines under the informal disciplinary committee is part of a wider process of reforming Imro's regulatory procedures.

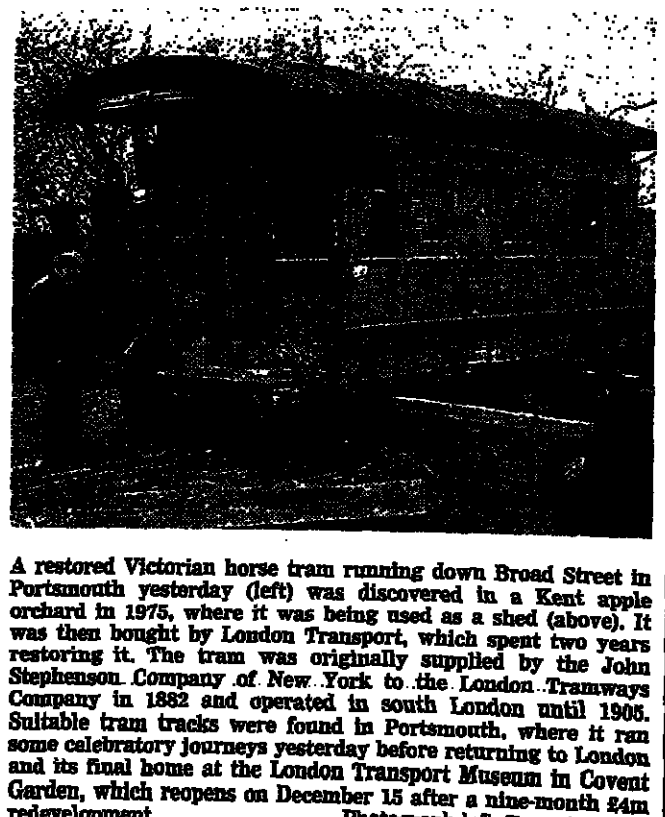
The organisation is also considering giving greater publicity to findings reached by these "first-tier" disciplinary committees.

The decision to raise the fines was approved at a board meeting earlier this week, and follows a wider restructuring of Imro after criticisms made against it in the last two years.

The disciplinary committees

comprise members of Imro's board, and have been widely used in cases including that against Invesco-MIM, which was fined a record total of £750,000 in June for a range of regulatory breaches in connection with the Maxwell affair.

The more formal disciplinary procedure involves a hearing before an independent membership tribunal. Only two of the organisation's members have chosen this route since 1988, against about 30 using the informal route.



A restored Victorian horse tram running down Broad Street in Portsmouth yesterday (left) was discovered in a Kent apple orchard in 1975, where it was being used as a shed (above). It was then bought by London Transport, which spent two years restoring it. The tram was originally supplied by the John Stephenson Company of New York to the London Tramways Company in 1882 and operated in south London until 1906. Suitable tram tracks were found in Portsmouth, where it ran some celebratory journeys yesterday before returning to London and its final home at the London Transport Museum in Covent Garden, which reopens on December 15 after a nine-month £4m redevelopment. Photograph left: Tony Andrews

## IRA threatens Ulster companies

THE IRA yesterday threatened five companies in Northern Ireland which carry out work for the security forces after admitting it murdered a director whose building company works for the army and the police.

The IRA ordered companies to cease links with security forces or face the consequences. The warning was issued by a letter to the companies, which said that its contracts had already expired and were not being renewed.

## Court move on women priests

THE Church Society yesterday won permission to seek a High Court declaration aimed at blocking moves to allow the ordination of women as Church of England priests.

Lord Justice Simon Brown, sitting with Mr Justice Buckley, indicated that the court intends to give the society - the Church's most influential evangelical body - leave to seek a judicial review.

The society plans to seek a declaration that members of the Ecclesiastical Committee of both houses of parliament acted outside their powers in deciding to back proposed legislation paving the way for women's ordination.

## Businessman jailed for 4 years

A BUSINESSMAN, whose obsession with antique toys led him to pull off a £12m swindle, was jailed for four years yesterday at Southwark Crown Court.

Mr Jeffrey Levitt pleaded guilty to eight charges of fraudulent trading, evading VAT and import duty between August 1988 and May 1991.

His operation, which stretched from Japan to the US, was built on fraud and hoodwinking the banks to give him credit, said Mr David Perry-Davey QC, prosecuting.

## Newspaper staff victory overturned

SIX former employees at The European newspaper, who won a court fight over wrongful dismissal two years ago, saw their victory overturned by the Court of Appeal yesterday.

The six, who had been granted "summary judgment" by the High Court in their compensation claim against the paper's former owner, Mirror Group Newspapers, were told they now faced a full-blown legal battle to establish their case.

## Threat to disrupt Booker ceremony

NEXT WEEK'S Booker Prize, the most prestigious event of the literary calendar, faces disruption by several dozen mushroom pickers dismissed by a Booker subsidiary after a new compensation offer from the company was rejected.

Many of the 80 part-time women workers who were dismissed by Middlebrook Mushrooms for taking industrial action over a reduction in overtime pay are expected to form a picket line outside London's Guildhall and hand out copies of their book about the dispute.

## Pledge over Tube line extension

THE Jubilee line extension to London's underground system from Green Park to the Docklands will be in passenger use 68 months after construction starts, Mr Steven Norris, minister for transport in London, said today.

## Fairness ruling sought on Scots property solicitors

By James Buxton, Scottish Correspondent

SIR BRYAN CARSBURG, director-general of fair trading, has referred the solicitors' property centre which handles 90 per cent of house sales in Aberdeen to the restrictive practices court, seeking a declaration that it operates a rule that works against the public interest.

Sir Bryan is also considering taking action against the solicitors' property centre in Edinburgh, which handles 80 per cent of house sales in the city.

He is concerned about a rule which forbids solicitors who

are members of the Aberdeen centre from submitting particulars of homes for an estate agent is advertising them elsewhere. He says this restricts competition and consumer choice.

In many Scottish towns people sell their houses through a solicitor rather than an estate agent. In Edinburgh, Aberdeen and elsewhere, solicitors have set up solicitors' property centres in a main street where all properties for sale are advertised.

The complaint against the Aberdeen and Edinburgh centres was made by made by the Royal Institute of Chartered Surveyors.

If the restrictive practices court makes a declaration that the restriction is against the public interest it will then decide whether to make an order prohibiting it.

Mr George Clark, chairman of the Edinburgh Solicitors' Property Centre, said the centres were very much in the public interest and that without them Scotland would be dominated by half-a-dozen estate agents.

The 200 firms of solicitors which own the Edinburgh centre are in active competition with each other.

## Computer confidence 'growing'

By Andrew Baxter

CONFIDENCE is growing among suppliers of computers and software for UK manufacturing industry after three years of reduced spending.

Exhibitors at this week's Computers in Manufacturing Show at Birmingham's National Exhibition Centre said yesterday they were looking forward to increased orders, and believe the constraints imposed on spending by finance directors are being relaxed.

"It was definitely the best show for four years," said Mr Patrick Cockell, director of Fourth Shift, the Crawley-based supplier of software and services.

Mr Cockell said he had felt the three-day show would be a

### Spending on computers in manufacturing (£2bn)

	88/89	89/91	91/92	92/93	93/94
1.751	1.585	1.527	1.375	1.406	

Manufacturing applications only, excludes other software. Source: Benchmark Research

good test of whether the downturn in spending had ended. "Three years of pent-up demand are coming to the surface," he added.

Ms Sara McKinnon, marketing manager for Bracknell-based Parametric Technology (UK), said: "People were not rushing to spend money straightaway, but at least they were building spending into next year's plans. That was not happening last year."

Parametric, which along with Fourth Shift and most of the industry is US-owned, is a supplier of Cadcam (computer-aided design and manufacturing) software.

The increased optimism was underlined by attendance figures for the show - up 56 per cent from last year at 10,882, said Mr Andy Center, the show's marketing director.

A survey released at the show by Benchmark Research, a market-research company, predicts that spending by UK manufacturers will rise to £1.41bn in the 12 months from this summer, up £33m from £1.37bn in 1992-93.

The latest figure is still a long way short of the £1.75bn spent in 1989-90. But Mr Ian Parkes, Benchmark's managing director, said that prices

for information technology had dropped sharply, and the number of UK manufacturing sites had fallen by 9 per cent since 1989.

The figures show that manufacturers' spending on computers has weathered the recession better than other areas of capital equipment such as machine tools.

The survey discloses clear opportunities for suppliers to expand the industrial IT market, but suggests vendors could speed up the process by improving their understanding of customers' businesses.

The Benchmark figures are for computers, software and services used in manufacturing applications, and exclude purely office-based spending such as word processors.











# Ding-dong battle to be boss

## Quality of life dominates the contest to be New York's mayor, says Martin Dickson

It is a misty autumnal morning on Manhattan's Upper West Side and just-jawed Mr. Rudy Giuliani, the Republican candidate for mayor of New York City, is out chasing the important Hispanic vote - and trying to make himself look a little less unlovable.

Mr. Giuliani, who is battling a reputation as a cold, impatient, short-tempered man, looks out stiffly across a hall of elderly, mainly female Latinos - a sea of permed grey hair, glinting spectacles and brightly coloured clothes - and tries to create a rapport.

His speaking style is flat, his manner uncharismatic, and he fails to amuse the audience with a heavy-handed joke about his 84-year-old mother, who lives in the same apartment building as him. "If I let you down, she's going to drive me crazy," he says.

But the pensioners suddenly break into enthusiastic applause when he promises to take the city's projects (council estates) of their warring armies of gun-toting drug dealers. "We owe you a safer city," he declares. The audience warms like a bowl of chili.

The incident points up the choice facing New Yorkers in the November 2 election. On the one side there is Mr. David Dinkins, the 66-year-old black Democratic incumbent, whose four years in office have left him with an extremely mixed record and a reputation for enjoyment of the formal trappings of office.

### Defeat for the Democrats would suggest its hold on big city politics may be weakening

bosses and crooked financiers. It was he who caused a sensation on Wall Street by carting three securities traders away from their desks in handcuffs.

He is certainly a man of immense zeal and self-belief, who might emerge City Hall, but many New Yorkers question whether he has the temperament to build the complex coalitions needed to govern the metropolis, where registered Democrats outnumber Republicans by nearly five to one.

It therefore says a lot about the restless, demoralised mood

of the New York electorate that Mr. Giuliani, who lost by just 2 per cent of the vote when he first fought Mr. Dinkins in 1989, is once again running neck and neck with the mayor in opinion polls that may significantly understate the challenger's strength.

If he wins, he will be New York's first Republican mayor since the good-looking, aristocratic Mr. John Lindsay, who ran City Hall from 1966 to 1973. He will also strike a serious blow to the national Democratic party, which is still smarting from the election in Los Angeles last spring of the not-for-profit city's first Republican mayor in 36 years.

The loss of New York would reinforce the theory that the Democrats' hold on big city politics may be weakening.

The electorate, goes the argument, is disillusioned with policies that have failed to solve the severe problems of the inner cities, particularly the growth of an alienated, ill-educated black underclass - predominantly from single-parent, welfare-dependent homes - armed to the teeth with guns and willing to kill at the slightest provocation.

Mr. Bret Schundler, a 34-year-old Republican who catapulted from nowhere to be mayor of normally Democratic Jersey City, New Jersey, argues: "You're seeing the unravelling

of Democratic party dominance in the major cities. Big city machines are breaking down because the problems are so serious."

New York shares many of these problems. It has a high crime rate, is one of the leading drug-dealing centres of North America, and its constant struggle to balance its budget has left it with a rotting infrastructure. The crisis is epitomised by its schools, where metal detectors routinely check children for guns. They opened weeks late for the autumn term because of asbestos risks from crumbling walls and ceilings.

Yet New York is also distinctly different from other American cities, a fact that both exacerbates its current financial problems but also offers long-term strengths.

Its uniquely cosmopolitan nature, coupled with its almost European health and social welfare programmes, means it has more than a normal contingent of New York's taxes and bureaucracy - in line with their own values.

However, the main focus of Mr. Giuliani's campaign is his promise - wearing the prosecutor's mantle - to crack down harder than Mr. Dinkins on crime, drugs and vagrants. The mayor replies - and the figures support him - that crime has actually fallen in New York on his watch, thanks to his large

nature maintains the city as the world's premier financial centre and is constantly replenishing it with new, energetic waves of immigrants - the latest coming from China and eastern Europe.

Both these forces - a sense that life is getting worse and the new immigrants - play to Mr. Giuliani's strengths. Mr. Mitchell Moss, who heads the Urban Research Centre at New York University, points out that many of the new, entrepreneurial Asian and Latino

### Mr Giuliani's campaign focuses on a crackdown on crime, drugs and vagrants

arrivals have no ties to the Democratic party machine and feel that Mr. Giuliani's platform - which emphasises self-help and reform of New York's taxes and bureaucracy - is in line with their own values.

Mr. Giuliani's campaign is his promise - wearing the prosecutor's mantle - to crack down harder than Mr. Dinkins on crime, drugs and vagrants. The mayor replies - and the figures support him - that crime has actually fallen in New York on his watch, thanks to his large

and costly expansion of the police force.

But what matters in elections is not statistics, but perceived crises - and politicians' ability to present themselves as the solution to them. Here, Mr. Dinkins has something of a credibility problem, not least because of his handling of two serious racial incidents during his term.

First, he refused to take sides when blacks boycotted two Korean-run grocery stores. More seriously, an official report published last summer blamed him for failing to act decisively enough to prevent disturbances in the Crown Heights area of Brooklyn which escalated into four days of violent confrontation between blacks and Jews in 1991 - the city's worst racial unrest in over 20 years.

At the very least this smacks of indecision, though critics also accuse Mr. Dinkins of pandering to black interests at the expense of other racial groups. And this matters greatly in a city where the key to electoral success is patching together a coalition of diverse ethnic and interest groups.

Mr. Giuliani, who refers to Crown Heights as a "pogrom", has gained ground among two important sets of voters: Jews and the Hispanic community, many of whose Catholic members have been offended by the



mayor's bold support of homosexuals and the distribution of condoms in schools.

In a city as volatile as New York, much could happen in the next 10 days to change the electoral climate. But, provided he keeps his personality in check, Mr. Giuliani could become the latest in a line of

outsider politicians, stretching back 100 years, who have temporarily wrested power from the Democratic machine by exploiting the feeling that the city is going to the dogs.

On that score, the worried Hispanic grandmothers of the Upper West Side seem to have absolutely no doubts.

More than ever before, UK credit card issuers are having to prove just how flexible and friendly they can be towards their 20m or so customers.

Existing credit card operators, dominated by the high street banks, had long expected new players in the market. This week's launch of a credit card from Vauxhall Motors is the clearest sign yet that competition is not only increasing but that new players are bringing substantial financial and marketing clout.

Before Vauxhall followed in the tyre tracks of General Motors, its US parent group, by offering a credit card that can earn customers a discount on a new vehicle, the leading card issuers were unconcerned about new competitors who had declared themselves.

Save & Prosper, the investment group, last month launched a Visa card with an annualised percentage rate of interest (APR) of 7 per cent, below the market norm. But it had said it was not interested in building a mass market and has deliberately restricted eligibility, seeking to attract mainly those looking to borrow on a credit card. The aim is to double its existing base of 100,000 customers. In contrast, Barclaycard has almost 9m customers; NatWest has 4m.

Similarly, the announcement by BMNA America Bank, one of the largest US credit card lenders, that it is to set up a European headquarters in Chester and plans to issue UK credit cards, did not cause alarm. In the US it has focused on targeting groups such as teachers.

But Vauxhall's entry is different. Some competitors even admit the package being offered is "good". The APR of 19.9 per cent is 3 percentage points below most others and there is no annual fee. "Rebate points" acquired each time the card is used could save up to £2,500 on the cost of a new car, but only if purchases total £50,000 over five years.

Also likely to worry the established UK players is the impressive success in the US of credit cards launched by manufacturers.

American Telephone & Telegraph's Universal credit card, unveiled in March 1990, is now the second largest in the US bank credit card industry by numbers of cards. The GM card, launched in September last year, has 8m customers in the US. General Electric and Ford motors have started their own schemes.

Vauxhall is not expected by others in the credit card business to be the last non-bank to enter the UK



Credit where it suits you: a rapid expansion in card choice

### Alison Smith on the increase in competition among UK credit cards

## New boy upsets flexible friends

market. British Telecom is considering creating a combined credit and phone card in co-operation with one of the existing issuers.

It would be rash, however, to assume that a repeat of the US successes can be guaranteed.

The high street banks say that their relations with customers are stronger than in the US so account holders are less likely to go elsewhere for a credit card. There's much less loyalty in the States," says Mr. Bob Potts, managing director of Barclaycard.

But even if the take-up of non-bank credit cards, such as Vauxhall's, does not match that in the US, the result could still be to shake up the market. "In a year, I expect the new entrants on a combined basis to have achieved a significant but still small share of the market - large enough for people to say 'they're serious and they're here,'" Mr. Potts says.

His prediction, shared by others among the main players, is that the casualties in any credit card war would be smaller existing issuers, such as some building societies, which cannot exploit economies of

scale and do not offer a sophisticated package of discounts.

But the smaller operators see the contest differently. Mr. Mark Christopher, marketing director for banking services at S & P, says small issuers which focus on a niche market will not be in direct competition with the Vauxhall card. Instead the brunt of the competition will fall on the market leaders. "It gives the major cards a problem," he says.

Although it is unclear who would win from a credit card war, the grounds on which any battle would be fought are more obvious: fees and interest charges, customer service, and the extras on offer.

Of these, the focus looks set to be on the additional benefits. Vauxhall's discount scheme is the latest. Alongside insurance on purchases, many issuers now offer "loyalty schemes" which encourage frequent use of the card. Barclaycard Profiles, for instance, offers points towards a selection of gifts, while NatWest offers "air miles" giving discounts on travel.

Such schemes have proved suc-

cessful in making customers use their cards more often. But, from the customers point of view, they require high or persistent spending. To qualify for a toaster from Barclaycard requires spending £4,900. A return trip to Paris from a NatWest card needs £9,000 of expenditure. The Consumers' Association warned this week that nobody should apply for a card because of a "guarantee" but should look instead at the annual charges imposed on most cards and the interest rates.

It is on these more central features of a credit card that the prospects for new and existing entrants will almost certainly depend.

Vauxhall seem to have recognised this by combining its discount scheme with a competitive interest rate and no charge. Some rivals are sceptical about whether the initial offer can, or will, be maintained, in spite of an assurance from Mr. Charles Golden, chairman and managing director of Vauxhall, that "it wouldn't be in our interest to play games with the fee or the APR."

There are also those who argue that the annual fee and APR are not necessarily decisive factors in choosing a card. Ms Elizabeth Phillips, director of the Credit Card Research Group, which carries out research for the industry, says the original imposition of annual fees was an emotive issue but now that they extend to more than three-quarters of cards, such charges are no longer as contentious.

She is also unconvinced that the APR is critically important because about three-quarters of credit cards are paid off in full most months.

But given that CCRG estimates that the average spending on a credit card is only about £1,500 a year - not even enough for a toaster from Barclaycard - undercutting on annual fees and interest rates is probably the quickest way for new entrants to grab a market presence. The evidence is that most card holders do not take advantage of the advertised benefits.

Mr. Bruce Reid, marketing director for AT&T's Universal card, pins the growth of his product on basic pricing: "The word 'free' was instrumental in our popularity. ... You won't find our card packed with a lot of bells and whistles."

If Vauxhall's tactics are sustained then the market leaders will have to respond. A first step may be to improve the additional benefits they offer. But given that the main use of a credit card is not to win a free electric kettle, but to facilitate spending, the long-term response may be a competitive struggle to offer lower charges.

Take one Brazilian archbishop, one French chef at a three-star restaurant, an Australian marathon runner, a Russian conductor, the manager of the Los Angeles Dodgers, the chief of an American Indian tribe, and 34 other super-achievers. Find out how they got where they are, and what makes each tick. Distill the result, and you should have the secret of success.

Today, at a conference at Leeds Castle, Kent, that secret could be revealed. A team of researchers from the Performance Group, a Norwegian management consultancy, has spent two years travelling the world with a tape recorder talking to 40 "world-class performers", including politicians, sportsmen, film makers, businessmen and clerics. A group of senior business executives has been invited to hear the study's conclusions. All will probably be hoping to glean a few tips for themselves.

At first sight, the reasons Luciano Benetton became a sweater-selling superstar may appear to differ radically from those that made Fumihiko Maki one of Japan's leading architects, or helped yachtman Dennis Conner win the America's Cup. But the Performance Group contends that all top performers have characteristics in common - and that success is not a birthright, but a trait that can be developed by anyone.

The most obvious similarity among those interviewed for the study is a sense of compelling purpose. Successful people, it seems, are greedy for knowledge and never stop acquiring it. They learn from their mistakes, they learn from others. They have strong powers of concentration. They are disciplined, intense and most have integrity.

Wilma Mankiller is presented in the study as a typical world-class performer. She is the first woman to be elected principal in chief of the Cherokee Nation, an Indian tribe in north America with 137,000 members. Her ambition to lead the tribe came after a serious car accident. She says she is dedicated to her work and respects her colleagues: "What I like best, and think is the most fun, is to talk with people in the Cherokee Nation at large and focus on what it is we need to do, and then put all of the pieces for a project together and move forward."

Arne Naess, mountaineer and Norwegian shipowner, agrees that dedication is fundamental: "You cannot be successful at anything doing it 90 per cent of the time."

## Take it from the top

### Is success something you can learn, asks Lucy Kellaway



Far from being apocryphal, however, successful people are aware of the need to motivate those who work with them as well - at least so they said in their interviews. Esa-Pekka Salonen, 35, conductor of the Los Angeles Philharmonic, says he aims to "make others feel free, to create an illusion that they are actually doing what they are doing out of their own desires and not being led by somebody".

All top performers are able to work intensely, according to the study, but can also be flexible. For chef Michel Guérard, pioneer of nouvelle cuisine, this means one minute dreaming up a strategy for restaurants combined with health spas, the next making a perfect chocolate mousse.

Hard work, however, needs to be matched by relaxation. According to Jan Carlzon, former president of Scandinavian Airlines System, "to withdraw is one of the keys to going forward again".

All withdraw in different ways. Masanari Iketani, chief executive of Tokyo Steel, gets up at first light to tend his orchids. Susan Bambrick, a leading Australian academic,

takes an early morning dip in the sea. Once a week Paulo Evaristo Arns, archbishop of São Paulo, leaves his office and goes incommunicado for a day.

World-class performers do not waste time. They know how to delegate and keep their desks tidy. Ricardo Semler, who runs Semco, the unusual Brazilian manufacturer of industrial equipment that allows employees to set their own hours and in some cases their pay, is particularly jealous of his time. "If I can't imagine anybody else doing the task and I still think that it has to be done, I do it," he says.

He schedules no appointments unless there is a definite reason for them, and he does not answer telephone calls.

Most high-flyers agree that it is important to make mistakes and experience failure. Hector Benabene, the Argentine film director who made *The Kiss of the Spiderwoman*, describes having a film panned by the critics: "I was crying at ridiculous moments of the day, watching the ceiling all night. ... Then one day when I woke up, I said that life is bigger than everything else. Today I am a new person."

Many of these leading performers share a competitive streak. Cheong Choong Kong, chief executive of Singapore Airlines, emphasises "a person's drive, an aggressive need always to be one step ahead of the others". Conner attributes his prowess as a yachtman to persistence and an inner drive to win - instincts he thinks result from growing up poor in San Diego, surrounded by rich folk and their sailing boats.

However, some comments in the study fail to back up the thesis that anyone's performance can be improved by taking a lead from the successful. Several believe that greatness is congenital. Maestro of the Russian Opera, Valery Gergiev says: "Number one: you are born. You are born with certain abilities already. It is in the computer, and you can't change it easily."

Others have had greatness thrust upon them. Masanari Iketani inherited his steel business from his father. About half of the interviewees rate their fathers - mothers are hardly mentioned - as the most important influence in their lives.

The Performance Group argues that high-flyers have lessons for all of us. But it is one thing to establish that world-class performers have much in common. Whether the executives attending the Leeds Castle conference will leave with a more purposeful stride is another matter.

## Food argument absurd

From Mr. Dominic de la Barre d'Erquelinnes.

Sir, The contention by Mr. Luc Guyau, leader of FNSEA, the French farmers' union, that the third world needs French food is absurd (World Trade News, October 19). The main effect of subsidised food exports by OECD countries is to depress world prices on free markets, since OECD food consumption is too low to absorb extra production generated by

subsidies. This deprives farmers in poor countries of a share of revenues they would otherwise get if there were no subsidies, in turn producing urban exodus, food riots, lower growth and demand for OECD industrial products.

Dominic de la Barre d'Erquelinnes, Banque Internationale à Luxembourg, 69 route d'Esch, L-2953 Luxembourg

## Privatising at BR's convenience

From Mr. William Hodgson.

Sir, I write to urge the government to include an element of unbundling in the forthcoming privatisation of British Rail.

During a recent trip to Turkey, I noticed that the public conveniences in the main bus station in Ankara serve, I estimate, well in excess of 8,000 clients a day, at a price (effectively day-linked) of almost 8 pence a visit. This business enjoys a local monopoly, a strong client base, 24-hour custom all the year round, minimal fixed assets, no working

capital requirements and hence produces an astonishing cashflow.

Could not this element of BR's business be sold separately, under the price control of, say, Ofwat, thus providing a new utility sector to the FT-SE index? It is vital that the government obtains the best price for the potentially profitable parts of what "silver" is left in the cupboard.

William Hodgson, Tumblecroft, Up Marten, Chichester, West Sussex PO18 9LA

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Agency success should also be recognised

From Mr. Michael H. J. Plant.

Sir, Your headline "Arranged Welsh agency is humbled" (October 21) and subsequent comments contained in the article appear to miss the fact that the Welsh Development Agency was successful on a world scale.

Dr. Gwyn Jones, the former

chairman, and Philip Head, former chief executive, have committed the heinous crime of running a quasi-government body in a professional and successful manner. The relatively small amounts of money spent outside Treasury guidelines (I understand it to be less than £2m) pales into insignificance

when compared to more than £10m of inward investment they attracted to Wales last year alone and the operational savings they made within the WDA. We continue to benefit from both.

While, like all human beings, neither Gwyn Jones nor Philip Head is perfect, both have

proved themselves excellent custodians of public money, creating wealth and opportunity within the Welsh agency.

Michael H. J. Plant, managing director, Northmace, St David's House, Taffs Well, Cardiff CF4 8XF

## A fuss-pot of instant coffee and a dose of hot air

From Mr. Ian C. Broadley.

Sir, It can be shown that of 100 units of energy in a North Sea Reservoir destined to make a cup of instant coffee on mainland Europe some 90 units are lost along the way.

The energy is drained off in energy production processes, in transportation, in heat rejected by power stations and in transmission losses, and finally (next to the coffee jar) as the energy remaining in

the hot over-filled kettle.

On the gardening page of the Weekend FT (October 16/17) the article by Robin Lane Fox reminded me of waste on this scale (but unnecessarily so), as he commended to us the processes of doing our summer garden in the autumn with liquid fertiliser and so achieving October flowering. This drenching in chemicals is to be achieved by a garden hose fitted with a dosing attachment.

But most of the liquid fertiliser so applied will end up as a management problem for river and water authorities. We should, rather, be encouraging gardeners to build up a good humus content (in part from re-cycled garden waste) and letting our tens of thousands of garden worms and trillions of bacteria produce the appropriate plant food in solution.

Happily, the article on the

same page by Bridget Bloom should have furnished a swift-acting antidote, when she drew our attention to the environmental problems arising from lawn care. The potential damage arises through the excesses of the dosing and cropping rituals of fuss-pot gardeners.

Ian C. Broadley, Ian Broadley Associates, Carran Armadale Road, Rhu, Helensburgh

## Loan protection needed

From Ms Barbara Roche MP.

Sir, The news of Bridget O'Brien's important victory in the House of Lords on Thursday is heartening.

More than seven years ago Mrs O'Brien was asked to sign a charge over her home so her husband could obtain a business loan from Barclays Bank. Her husband told her that he was applying for £60,000 when in fact he borrowed £154,000, and she was never seen by any bank employee nor were the legal implications explained to her. When the bank called in the overdraft which would have led to the loss of her home, Mrs O'Brien took her case to court and lost. When she won on appeal, Barclays took the case to the Lords. The

Law Lords decided today that creditors should not be able to call in loans where they have not taken reasonable steps to ensure that spouses have had independent legal advice.

There are many other women in similar situations. This scenario is a clear example of the need for a new Banking Act stating clearly customers' and borrowers' rights, and instituting an independent regulatory body for the banks. Whether the government brings forward such a bill in next month's Queen's Speech will be a test of their true commitment to citizens' rights.

Barbara Roche, House of Commons, Westminster, London SW1A 0AA

## A fair cop if they buy British

From R. Madelin.

Sir, Having recently been overtaken and booked by a fast, new and shiny police BMW in Hampshire, I write to inquire as to whether the Sheehy Report identifies how much could be saved by using a centralised car purchasing

policy. I plead guilty to driving at 86 mph, but I would rather my fine went towards buying British-made cars and keeping British jobs!

R. Madelin, 143a Fosse Park Road, Putney, London SW15 2EG



## COMPANY NEWS: UK

Deal with Marley gives opportunity to rationalise over-capacity

## Tarmac swaps tiles for bricks

By Paul Taylor

MOVES To reduce substantial over-capacity in the brick industry were promised by Tarmac when it announced an asset swap with Marley, its rival building materials group.

Tarmac, the UK's biggest housebuilder, is exchanging its Hawkins Tiles clay tile manufacturing business for three regional brick factories and £3m in cash.

While representing a significant boost to Tarmac's production of clay bricks, the deal will enable the company to rationalise and take capacity out of the industry even though its overall brick capacity will rise from 220m to more than 300m bricks a year. This represents about 10 per cent of the UK brick market.

Mr Neville Simms, Tarmac's chief executive, said: "The exchange is very much in line with the group's signalled intent of working towards consolidating and rationalising the UK brick industry."

Tarmac has recently undertaken to dispose of non-core businesses to reduce its large borrowings and pave the way for new investment in housebuilding land.

It also recently raised £215m in a 1-for-4 rights issue.

UK brick stocks at present stand at about 10m. About 45 per cent of the UK's clay brick production is sold into new housebuilding, mostly to the top 50 builders. This market is expected to increase by at least 5 per cent a year.

The three Marley brick factories at Dorset Head in Nottinghamshire, Errol in Perthshire and Maltby in South Yorkshire, are operating at less than 50 per cent capacity. Tarmac plans to take advantage of this spare capacity to match growth in the housing market.

Last year the three factories recorded sales of £6m and incurred operating losses of £3.2m. Excluding clay reserves, which Marley did not value, the businesses had net assets of £14.7m.

The deal gives Marley a way out of the brick business which has been trying to sell for several years. Its interests were acquired in 1987 and 1988 for £47.8m. However it will be forced by accounting rules to record an exceptional charge of about £33m in the current year.

Hawkins Tiles, with net

assets of £28.8m, is one of the three main clay tile manufacturers in the UK. Last year it reported a £880,000 operating loss on sales of £2.52m.

Hawkins manufactures a range of clay roof tiles at its plant in Cannock, Staffordshire, which has an annual production capacity of more than 30m tiles and will complement Marley's leading position in concrete roof tiles.

Mr David Trappell, Marley's chief executive, said: "This deal is good for both parties. We have each been able to move out of activities that no longer formed part of our core business in the UK and at the same time we have both strengthened our market positions in the areas where we wish to concentrate in the future."

Abacus was the subject of a £3.4m management buy-out led by Mr Murdoch and three colleagues in February 1989 and backed with funds from Ensign Trust, a company controlled by the Merchant Navy Officers Pension Fund.

Since then it has grown quickly through two small acquisitions and organic expansion. Turnover in the year to September 30 increased to £30.9m (£23.4m) and pre-tax profits to £2.98m (£1.76m), equivalent to earnings of 7.4p (4.3p) per share.

Following the flotation roughly 30 per cent of the equity will be in the hands of institutional shareholders, a similar proportion will remain in the hands of the management team and the Merchant Navy Officers Pension Fund will retain the remaining 30 per cent stake.

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## Abacus raising £15m via placing

By Paul Taylor

ABACUS is coming to market through a share placing which is expected to value the franchised distributor of electronics components at between £35m and £40m.

The placing, sponsored by NatWest Markets, will raise about £15m, including £3.6m net of new money. Mr Brian Murdoch, managing director, said the new funds will be used to pay back £3m of debt and position the group for future growth, both organic and, if appropriate, through acquisitions.

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## Blick pays £57.6m for Time &amp; Security

By Catherine Milton and Andrew Adonis

BLICK, the communications systems and time products company, will almost double in size by buying the business of rival Time & Security for £57.6m.

BLICK, which said last week it was close to a substantial acquisition, estimated the deal would more than double income from rental contracts from £87m to £167m. "We are doubling our customer base for 22 per cent of the equity," said Mr Ian Scott-Gall, Blick's managing director.

The acquisition is funded by a £20m rights issue, a £40m new credit facility and cash reserves of £55.6m. The rights are underwritten by the company's estimate that pre-tax profits for the year to September 1993 will rise to £9.3m (£2.7m).

The company said it had been seeking T&S for a number of years. It had signalled its intention to grow through acquisition by mopping up smaller companies in its sector in recent years. T&S, with about 18,500 contracts, is by far its largest addition.

Cable and Wireless acquired

what was to become T&S as part of Telephone Rentals, the equipment supplier it bought for £300m in 1988.

The division, which employs 200 people at its Bletchley base, focuses mainly on time base, recording equipment, on-site recording and broadcast, fire paging and detection systems, alarm and detection systems, and emergency management systems.

At current prices it is expected the business will make annual profits of £5.5m before the tax and financing costs. In the year to March 31 turnover was £18.8m, of which 90 per cent was from the customer base and the balance from the sales of new equipment.

Mercury Communications, C&W's UK telecoms arm, has a significant paging business, but most of T&S's activities were incidental to its telecommunications concerns.

C&W saw Telephone Rentals as crucial to developing Mercury's business customer base. Mercury said a large part of T&S customers were now buying a broad portfolio of its services, and would continue doing so.

Blick is buying stocks, work-in-progress and some staff as

well as the order book. The business is currently integrated within Mercury, relying on its infrastructure for support services. Blick proposes to replicate this structure.

Blick will pay £40.7m on completion, with a further £16m due by July 1 next year and £6.9m payable on April 1 1995 depending on T&S hitting income levels which Mercury has guaranteed at £90m.

The 2-for-9 issue of new ordinary shares at 370p apiece will raise £20m net of expenses. Analysts said the price reflected the current worth of guaranteed income.

Blick's shares closed down 5p at 440p.

The issue of 5.54m shares is fully underwritten by Kleinwort Benson. Kleinwort Benson Securities are brokers.

About £17m of the £40m new credit facility, arranged by Kleinwort Benson, will guarantee the deferred payments.

The deal means Blick will be geared for the first time since flotation in 1986, with the company estimating the level at between 150 per cent and 175 per cent. This is projected to fall to nil by the first quarter of 1995.

Gresham House, the investment trust, reported net revenue for the first half of 1993 of £1.17m, against losses of £1.5m.

The result was helped by the issue of £7.42m secured loan stock by its Gresham House Finance subsidiary. That allowed the release of provisions for interest and guarantees which, with the release of other provisions, resulted in an exceptional credit of £1.16m (£982,000 charge).

Earnings per share came out at 27.6p, against losses of 35.3p.

Fleming Continental

Fleming Continental European Investment Trust had a net asset value of 321.8p per share at September 30, an advance of 19 per cent over the six month period.

Available revenue edged ahead to £1.75m (£1.67m) for earnings of 2.67p (2.56p) per share.

Value and Income

Value and Income Trust had a net asset value of 101.1p per share at September 30, up from 92.5p at the March year-end and 74.7p at September 1992.

Net revenue dipped to £864,000 (£790,000) in the six month period, equivalent to earnings of 1.56p (1.87p).

The interim dividend is 2p (1.8p) and directors intend to recommend a 2p final.

Bruntcliffe

Bruntcliffe Aggregates, the former investment holding company which came to the market in May following its switch into reprocessed coal and aggregates, reported profits of £132,000 pre-tax for the six months to June 30, on sales of £305,000.

Mr David Sawyer, chairman,

acquiring a distaste for Britain's political culture.

He now describes himself as "virtually a republican" and an enemy of the class system.

"In industry you have to take decisions quickly and sort things out. Politicians are increasingly professionals, lawyers and so on. The result is they are constantly tinkering and never analysing what needs to be done."

In spite of early doubts about British society, Mr Norman left JP Morgan in the unpleasant aftermath of a merger and returned to the UK.

"I couldn't stand all the merger politics. All the redefining of jobs instead of getting on with them. Anyway I wanted to get married."

He took a job with Philip Hill Higginson Erlanger (now Hill Samuel) only to be confronted with another equally unsettling merger after another four years.

As his disaffection with banking grew Mr Norman became more and more involved with a small venture capital company he and a colleague had formed. Called Batehill, it traded under the deathless slogan, "putting skates on business."

When, during a refinancing the banks made it a condition that Batehill put skates on just one business, Mr Norman chose the toy company, Berwick Timpco, because it was the biggest.

Now aged 60, Mr Norman continues with his lifelong hobby of flying classic aeroplanes and has no plans to retire. "I'll be around for a while."





# Rally in bond market lifts Japan's leading brokers

By Emilio Terrazano  
in Tokyo

A RALLY in the bond market and a recovery in stock prices helped Japan's leading brokers to report stronger performance for the first six months to September.

However, the figures were lower than previously anticipated for most brokers, due to weaker-than-expected commissions on the Tokyo stock market, where the daily average turnover has been 10 per cent lower than initial projections. While the big four houses - Nomura, Daiwa, Nikko and Yamachi - saw a return to profitability from a year ago, six of the 10 second-tier brokers remained in the red.

The Nikkei index, which hit a six-year low in August last year, recovered to the 20,000 level last April.

Daily trading volume rose by 58 per cent to ¥407.6bn (\$3.8bn) from a year ago, but activity has been dominated by large institutional investors, and some smaller brokers, which are dependent on retail investors, failed to benefit from the increase.

Of the 14 largest brokers, Daiwa saw the largest pre-tax profit, due to a 56.5 per cent rise in commissions to ¥110.5bn. Daiwa posted a nine-

JAPANESE SECURITIES HOUSES Interim results to September 1993				
	Sales ¥ bn	Change % on 1992 interim	Pre-tax profit ¥ bn	Pre-tax profit 1992 interim
Nomura	202.0	+13.1	25.3	0.983
Daiwa	158.3	+18.9	35.3	1.871
Nikko	137.4	+15.8	12.9	0.048
Yamachi	121.0	+24.1	11.3	-19.317

fold rise in stock underwriting commission income to ¥2.6bn due to income from DDI, a long-distance telecommunications company, and Taito, a game maker, both popular among investors.

Nomura's commission income rose 48.3 per cent to ¥140.4bn, while underwriting commission income rose 71.5 per cent to ¥17.3bn due to an increase in convertible bond issues. However, its profit in the balance on financial times showed a 28.8 per cent to ¥34.5bn due to lower interest rates.

Nikko's commission income rose 53.7 per cent to ¥105.3bn, while stock underwriting commission income increased sevenfold to ¥3bn.

However, Nikko was the only broker among the big four to see an increase in expenses, as sales and administrative expenses rose by 8.1 per cent to ¥18.3bn.

Yamachi posted a 44.4 per cent rise in commission

income to ¥88.7bn, while stock underwriting tripled to ¥308m.

Many of the smaller brokers are still struggling under the burden of over-expansion during the late 1980s. Of the 10 second-tier brokers, New Japan, Wako, Tokyo, and Kokusai managed to post pre-tax profits, while Sanyo, Kanakaku, Yamatane, Okasan, Cosmo, and Dai-ichi posted losses.

Industry analysts feel the worst is over for the larger brokers, but point out they will need to undergo further cost cuts to improve profitability.

For the full year, Nomura expects a 30-fold jump in pre-tax profits to ¥70bn, while Nikko forecasts pre-tax profits to rise sixfold to ¥40bn.

Daiwa, which saw losses last fiscal year, expects a pre-tax profit of ¥60bn while Yamachi predicts pre-tax profits of ¥22bn.

# Strong sales help Nokia turnaround to FM466m

By Christopher Brown-Humes  
in Stockholm

NOKIA, the Finnish telecommunications group, yesterday unveiled a FM466m (\$81.7m) pre-tax profit for the first eight months. Growing telecommunications and mobile phone sales helped the recovery from the FM377m loss in the same 1992 period.

The group said it had reached an advanced stage in talks with other industry groups over a partnership covering the tubes and home electronics activities within its loss-making consumer electronics division.

Stemming losses through rationalisation had proved insufficient due to depressed European markets, said Mr Jorma Ollila, Nokia's chief executive.

He declined to reveal the partners involved but hoped an agreement could be reached within months.

Telecommunications sales climbed 87 per cent to FM2.74bn and mobile phone sales jumped 88 per cent to FM3.68bn in the first eight months to push group sales up 42 per cent to FM14.1bn.

Operating profits amounted to FM787m, compared with a FM152m loss last year. Margins improved within telecommunications and mobile phones compared with last year and profits in both divisions rose strongly.

On the negative side, losses within consumer electronics were as large as in 1992 and financial expenses jumped to FM323m from FM130m, after exchange rate losses of FM172m.

It forecast an operating profit of at least FM450m in the final four months, an improvement on last year's FM158m full-year pre-tax loss.

# Fiat extends Rhône-Poulenc alliance

By Robert Graham in Rome  
and John Riddick in Paris

FIAT, Italy's largest private industrial group, is to form part of a core of stable long-term shareholders in the forthcoming privatisation of Rhône-Poulenc, the French chemicals and pharmaceuticals company.

The move, which was revealed yesterday by Mr Cesare Romiti, Fiat's chief executive officer, will mark an important consolidation of a cross-border alliance with Rhône-Poulenc.

Rhône-Poulenc and Saia BPD, Fiat's chemicals and fibres subsidiary, have one joint venture and a second is

due to begin in January. Fiat's participation in Rhône-Poulenc's privatisation, which is due within the next few weeks, reflects the interest of international investors in France's ambitious plan to sell 21 publicly-owned groups. The privatisation of Banque Nationale de Paris earlier this month attracted participation from several overseas companies, including BAT Industries of the UK and General Electric of the US.

In announcing Fiat's involvement in France's privatisation programme, which has to be approved by the French privatisation committee, Mr Romiti said the group would not be bidding for any of the assets

about to be divested by the Italian state. "We have drawn too much fire for being too big in Italy and we do not want to be accused of further increasing our size in respect of others," he told a parliamentary commission.

This comment appeared an attempt to head off suggestions that Fiat had passed a vote of that Fiat had passed a vote of confidence in French privatisation and not that of Italy which is proceeding at a much slower pace than that of the Ballard government.

Core investors are expected to represent about 25 per cent of Rhône-Poulenc's shares when the state sells its 43 per cent stake within the next few weeks. They must purchase a

minimum of 2.5m shares, about 1 per cent of the total. Rhône-Poulenc shares are trading at about FF156.

The move by Fiat comes shortly after the consolidation of relations with another large French industrial group. On September 28, Fiat announced a L6,250bn (\$3.9bn) capital increase and the creation of a hard core of friendly shareholders that included France's Alcatel Alsthom, due to raise its stake from 1 per cent to about 2.2 per cent.

Fiat intends to rationalise its Fiatimprest construction and civil engineering interests by forming a joint venture with Lodigiani and Girola, two private Italian operators.

# Murdoch faces up to mortality

Raymond Snoddy reports on likely successors at News Corporation

Media tycoons are dangerously prone to imagine themselves immortal.

But when they cannot banish thoughts of mortality the next best thing is to establish a dynasty and try to maintain control beyond the grave.

Mr Rupert Murdoch, chairman and chief executive of the News Corporation, one of the world's largest media organisations, is 62. Although he is fit and active, he is being pressed to spell out the succession - what happens when the company can no longer be described as Rupert Murdoch's News Corporation. Where, some ask, is the executive of vision within the organisation, if not Rupert Murdoch?

Mr Murdoch has been spelling out his hopes in interviews with his Australian papers and at the company's recent annual meeting.

"I don't feel old. I feel very well. I certainly hope that I can keep going at the present pace for another 10 years. I have at least two of my children coming into the business - how they'll do will have to be judged later. It's no longer a private business," Mr Murdoch said.

His daughter Elizabeth, 25, is a manager in charge of programme acquisition at Fox Television, News Corp's US television network.

Lachlan Murdoch, 22 in September, is at Princetown University, but, much more important, spent the summer as a sub-editor on the Sun newspaper in the UK.

"He loved them and they loved him," said one News International executive. Rupert Murdoch has a soft spot for the Sun, the UK paper that more than any other was the foundation of his fortune.

James Murdoch, 21, is at



Rupert Murdoch and wife Anna who could become chairman

Harvard University and has worked on the set of the recent Twentieth Century Fox release The Rising Sun.

Rupert Murdoch is clear about the advantages his children will hold. They will have the opportunity to show what they can do but their real proving time is probably still a decade away.

What if the unthinkable happens and Rupert Murdoch were to fall under a bus?

In February 1990, much to the surprise of his senior executives Rupert Murdoch announced Mr Andrew Knight as his successor.

"People say there is no number two or successor in News Corporation. This is he," said

ing size of the business and in response to the debt crisis which nearly brought the company down three years ago a tier of accomplished managers has been put in place.

Under any non-executive chairmanship of Anna Murdoch, a novelist, there would be:

● Mr Gus Fischer, managing director of News International and chief operating officer of News Corp. He is a German-Swiss businessman who ran a printing industry company in California before coming to Rupert Murdoch's attention.

● Mr Dave DeVoe, New York-based vice-president finance and chief financial officer has established his financial credentials as News Corp pulled back from the brink and is again expanding.

● Mr Arthur Siskind, executive vice-president and general counsel is seen as a weighty lawyer involved in all the important deals.

The Australian part of the Murdoch empire operates semi-autonomously under the charge of Mr Ken Cowley. But without Rupert Murdoch where would be the chief executive of vision?

Mr Terry Povey, Murdoch-watcher for stockbrokers ANZ McCaughan has no doubt of the answer.

"Mr Sam Chisholm (managing director of British Sky Broadcasting) or Mr Barry Diller. And they can't have Mr Diller because he's gone off to be a Rupert Murdoch in his own right," said Mr Povey.

Mr Diller, former head of Twentieth Century Fox, is running the QVC shopping channels bidding to take over Paramount Studios.

I would place a small bet that Rupert Murdoch will outlive us all professionally," Mr Povey adds.

# Borland Int'l plunges 48% in second term

By Louise Kehoe  
in San Francisco

BORLAND International, the US personal computer software company, reported a sharp drop in earnings for its second fiscal quarter, as revenues fell 16 per cent.

Net income was \$2.8m, or 11 cents per share, down 48 per cent from \$5.4m or 20 cents last year. Revenues declined to \$107.4m from \$127.8m.

Borland blamed the declines partly on a court order that forced it to temporarily withdraw and make changes to its spreadsheet programme, Quattro Pro. It is involved in a dispute with rival Lotus Development, which has accused Borland of copying certain features of its 1-2-3 spreadsheets.

Borland quickly issued a new version of Quattro Pro omitting the offending features.

In a bid to gain market share, it has priced its new version of Quattro Pro at less than half that of competing spreadsheet programs.

Borland said it was also hit by weakness in Europe.

# Finland sells SBF to banks for FM5.6bn

By Christopher Brown-Humes

THE BIGGEST restructuring of the Finnish banking sector was unveiled yesterday when the government sold off the Savings Bank of Finland (SBF) to four of the country's leading banks for FM5.6bn (\$935m).

Kansalliskassa-Pankki, Kanakalla-Osake-Pankki, Unitas, Okobank and Postipankki will each pay FM1.4bn for a share of SBF's 650 branches and FM48bn of deposits.

SBF collapsed into the arms of the state last year. As the second biggest casualty of the country's financial crisis, after Skopbank, it has received FM1.48bn in state support.

Yesterday's deal will leave the state shouldering FM3.2bn of SBF's non-performing assets, including real estate with a book value of FM6.2bn. This will be administered by an asset management company, backed by FM5bn of equity.

The state will be paid through a combination of cash, bank shares, other stocks and savings capital.

Both KOP and Unitas, the

country's biggest commercial banks, are planning to issue new shares to the government guarantee fund in part-payment.

This will leave the state with a stake of about 10 per cent in KOP, which is taking over 135 SBF branches, and a 6 per cent stake in Unitas, which is acquiring 122 branches.

The government guarantee fund said the agreed dismemberment of SBF was the best way to promote competition and rationalisation in the Finnish bank sector.

The deal will lead to a significant number of branch closures.

The government was under pressure to find a quick solution to SBF's problems as its customer base disintegrated under the marketing onslaught of competitors.

It leaves Skopbank, a commercial bank which has come under state control, in limbo. Its role as the central bank of the SBF will disappear, although it will still derive business from 40 independent savings banks outside the SBF network.

# United Bus asks for protection

By Ronald van de Krol  
in Amsterdam

UNITED BUS, the Dutch-based bus manufacturer, yesterday applied for protection from creditors after it failed to reach agreement with its bankers on a capital injection and reorganisation plan.

The company, which is 43.7 per cent owned by the former Daf group that went into receivership this year, said it would not affect DAB-Sikeborg, its 70 per cent-owned Danish operating company or Optare, its UK subsidiary.

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES				
	Latest prices	Change on week	Year ago	High/Low 1993
Gold per troy oz.	\$388.0	+13.25	\$343.25	\$406.75
Silver per troy oz.	\$283.45	+15.95	\$244.50	\$268.00
Aluminium 99.7% (cash)	\$1004.5	+8.95	\$1181.5	\$1240.00
Copper Grade A (cash)	\$1615.5	+9.55	\$1383.0	\$2375.00
Nickel (cash)	\$401.5	+8.75	\$324.25	\$460.00
Liquid (cash)	\$4583.5	-184	\$6125.0	\$834.00
Zinc SHG (cash)	\$933	+9.25	\$1109.0	\$1112
Tin (SHG)	\$4980	+19.55	\$5877.5	\$8047.5
Cocoa Futures (Mar)	\$266	+21	\$208	\$369
Coffee Futures (Mar)	\$120.5	+1.6	\$120.5	\$120.5
Sugar (JDP Rev)	\$261.8	-3.4	\$230	\$317.4
Barley Futures (Mar)	\$103.0	-0.55	\$127.50	\$110.30
Wheat Futures (Mar)	\$120.75	-0.5	\$129.15	\$148.45
Cotton Outlook A Index	\$4.40c	-0.25	\$2.70c	\$2.35c
Wool (84s Super)	\$34p	+0.11	\$40p	\$40p
Oil (Brent Blend)	\$16.90c	-0.17	\$20.15	\$19.53

No. 7 RAW SUGAR - LCE (cents/lb)				
	Close	Previous	High/Low	
Mar	10.73	10.54	10.85	10.60
Jul	11.24	10.99	11.04	
Oct	11.07		10.86	
Turnover 40 (71) lots of 50 tonnes.				

COCOA - LCE (\$/tonne)				
	Close	Previous	High/Low	
Dec	938	942	957	934
Mar	974	978	988	964
Jul	974	983	989	968
Oct	974	983	989	968
Nov	974	983	989	968
Dec	974	983	989	968
Jan	974	983	989	968
Feb	974	983	989	968
Mar	974	983	989	968
Apr	974	983	989	968
May	974	983	989	968
Jun	974	983	989	968
Jul	974	983	989	968
Aug	974	983	989	968
Sep	974	983	989	968
Oct	974	983	989	968
Nov	974	983	989	968
Dec	974	983	989	968
Jan	974	983	989	968
Feb	974	983	989	968
Mar	974	983	989	968
Apr	974	983	989	968
May	974	983	989	968
Jun	974	983	989	968
Jul	974	983	989	968
Aug	974	983	989	968
Sep	974	983	989	968
Oct	974	983	989	968
Nov	974	983	989	968
Dec	974	983	989	968
Jan	974	983	989	968
Feb	974	983	989	968
Mar	974	983	989	968
Apr	974	983	989	968
May	974	983	989	968
Jun	974	983	989	968
Jul	974	983	989	968
Aug	974	983	989	968
Sep	974	983	989	968
Oct	974	983	989	968
Nov	974	983	989	968
Dec	974	983	989	968
Jan	974	983	989	968
Feb	974	983	989	968
Mar	974	983	989	968
Apr	974	983	989	968
May	974	983	989	968
Jun	974	983	989	968
Jul	974	983	989	968
Aug	974	983	989	968
Sep	974	983	989	968
Oct	974	983	989	968
Nov	974	983	989	968
Dec	974	983	989	968
Jan	974	983	989	968
Feb	974	983	989	968
Mar	974	983	989	968
Apr	974	983	989	968
May	974	983	989	968
Jun	974	983	989	968
Jul	974	983	989	968
Aug	974	983	989	968
Sep	974	983	989	968
Oct	974	983	989	968
Nov	974	983	989	968
Dec	974	983	989	968
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Dec	974	983	989	968
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Aug	974	983	989	968
Sep	974	983	989	968
Oct	974	983	989	968
Nov	974	983	989	968
Dec	974	983	989	968
Jan	974	983	989	968
Feb	974	983	989	968



## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGE

## Rate cut trend hits D-Mark

THE German currency came under pressure again yesterday driven down by US heavy selling following a rush of interest rate cuts throughout Europe, writes Peter John.

Weakness in the D-Mark resulted in strength for the US dollar and a good performance from the French franc, Danish kroner, Italian lira, Spanish peseta and the Scandinavian currencies. Meanwhile, the pound dropped as the UK was seen as missing out on the opportunity to ease lending levels along with the rest of Europe.

A general move away from the D-Mark gathered pace as the Bank of France announced a long awaited cut in its key rates. The central bank cut the intervention rate to 6.45 per cent from 6.75 per cent and its 10-day lending rate by half a point to 7.25 per cent.

Heavy selling sent the D-Mark down to FF3.450, the first time it has been back

below FF3.50 since the recent round of speculative attacks on the French and Belgian currencies began a fortnight ago.

Dealers said US investment funds were shifting their holdings from Germany to France but the D-Mark fell quickly and there were reports that the Bank of France was taking advantage of the currency change to buy D-Marks and replenish its reserves which were depleted by the ERM crisis at the end of July.

Consequently, the D-Mark recovered to close at FF3.450, but still down on the previous day's close of FF3.510.

The D-Mark also fell sharply against the dollar. However yesterday's dollar rally was reigned in later. Dealers suggested that the Bundesbank may have been selling dollars and there were reports that Japanese officials had expressed concern over the dollar's strength.

Heavy speculation that the Bank of England would announce a cut in the 6 per cent base rate yesterday remained unfulfilled and the pound slipped. Sterling fell half a penny against the D-Mark to DM2.4675. Against the dollar it slid to \$1.4750 from \$1.4870 previously.

Elsewhere in Europe, the Bank of Spain cut its money rate to 9.25 per cent from 9.5 per cent and the peseta rose to Ptas79.38 to the D-Mark from Ptas80.02 previously. The Danish Central Bank lowered its two-week CD rate by half a point to 8 per cent and its discount and key deposit rates to 7.25 per cent from 7.75 per cent.

The Danish kroner rose to DKr4.0120 to the D-Mark, up from DKr4.0255 previously. The Irish Central Bank cut its short-term facility rate to 7 per cent from 7.5 per cent, effective Tuesday, and its overnight deposit rate to 3.75 per cent from 4.25 per cent.

## 2 IN NEW YORK

Oct 22	Oct 23	Oct 24
1.4750-1.4775	1.4800-1.4825	1.4850-1.4875
0.62-0.63	0.63-0.64	0.64-0.65
0.65-0.66	0.66-0.67	0.67-0.68
0.68-0.69	0.69-0.70	0.70-0.71

Forward premiums and discounts apply to the US dollar.

## STERLING INDEX

Oct 22	Oct 23	Oct 24
83.00	82.50	82.00
83.50	83.00	82.50
84.00	83.50	83.00
84.50	84.00	83.50
85.00	84.50	84.00

## CURRENCY RATES

Oct 22	Oct 23	Oct 24
1.4750-1.4775	1.4800-1.4825	1.4850-1.4875
0.62-0.63	0.63-0.64	0.64-0.65
0.65-0.66	0.66-0.67	0.67-0.68
0.68-0.69	0.69-0.70	0.70-0.71
0.72-0.73	0.73-0.74	0.74-0.75

## CURRENCY MOVEMENTS

Oct 22	Oct 23	Oct 24
1.4750-1.4775	1.4800-1.4825	1.4850-1.4875
0.62-0.63	0.63-0.64	0.64-0.65
0.65-0.66	0.66-0.67	0.67-0.68
0.68-0.69	0.69-0.70	0.70-0.71
0.72-0.73	0.73-0.74	0.74-0.75

## OTHER CURRENCIES

Oct 22	Oct 23	Oct 24
1.4750-1.4775	1.4800-1.4825	1.4850-1.4875
0.62-0.63	0.63-0.64	0.64-0.65
0.65-0.66	0.66-0.67	0.67-0.68
0.68-0.69	0.69-0.70	0.70-0.71
0.72-0.73	0.73-0.74	0.74-0.75

## FORWARD RATES

Oct 22	Oct 23	Oct 24
1.4750-1.4775	1.4800-1.4825	1.4850-1.4875
0.62-0.63	0.63-0.64	0.64-0.65
0.65-0.66	0.66-0.67	0.67-0.68
0.68-0.69	0.69-0.70	0.70-0.71
0.72-0.73	0.73-0.74	0.74-0.75

## MONEY MARKETS

## Big shortage taken out

THE great mystery of whether the UK will cut base rates in the near future intensified yesterday as money market dealers scrutinised the Bank of England's operations for clues, writes Peter John.

Some suggested that although there was no obvious pointer the Bank was certainly not being obstructive to the market's drive for lower rates.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Three-month lending rates - the best indicator of where base rates are heading, fell to just over 5 1/2 per cent, down from 5 3/4 a month ago.

If the Bank is unhappy with the market's enthusiasm for rate cuts it can hold back in its daily dealings. Such operations force overnight rates higher, with these changes possibly also forcing up three month rates.

However, no signals of this kind were detected yesterday. As one dealer said: "If the Bank sent those sort of signals on a day when Europe is eating it would be behaving like King Canute telling the tide to go back."

Short sterling futures, which currently reflect a mid-way view between between half a percentage point and one point off rates, had water yesterday

## and closed only marginally firmer.

In the money markets, the Bank of England offered an early round of assistance after forecasting a liquidity shortage of around £2.0bn, later revised to £2.05bn. Among factors affecting the shortage, the Bank removed \$550m, higher note circulation withdrew \$500m and T-bills and maturing assistance capped \$600m.

The Bank of England provided £1.875bn of assistance at the established rates of 5% per cent in an early round of bill offers, including £615m of bills for resale to the market in equal amounts on November 11 and 12 at 5 1/2 per cent.

It did not operate in the money market at midday but provided £20m in the afternoon, via bank one bank bills at 5 1/2 per cent, and late assistance of £150m bringing total help for the day to £2.045bn.

The German short term interest rate contract for December almost hit 94.00 and closed closing nine basis points up at 93.97 on turnover of more than 70,000 contracts.

The French futures contract for December lifted nine basis points to 93.83 and was pointing to discount rates of almost 6 per cent following the decision by the Bank of France to lower its intervention rate.

## FINANCIAL FUTURES AND OPTIONS

Oct 22	Oct 23	Oct 24
1.4750-1.4775	1.4800-1.4825	1.4850-1.4875
0.62-0.63	0.63-0.64	0.64-0.65
0.65-0.66	0.66-0.67	0.67-0.68
0.68-0.69	0.69-0.70	0.70-0.71
0.72-0.73	0.73-0.74	0.74-0.75

Oct 22	Oct 23	Oct 24
1.4750-1.4775	1.4800-1.4825	1.4850-1.4875
0.62-0.63	0.63-0.64	0.64-0.65
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0.68-0.69	0.69-0.70	0.70-0.71
0.72-0.73	0.73-0.74	0.74-0.75

## MONEY MARKET FUNDS

## Money Market Trust Funds

Oct 22	Oct 23	Oct 24
1.4750-1.4775	1.4800-1.4825	1.4850-1.4875
0.62-0.63	0.63-0.64	0.64-0.65
0.65-0.66	0.66-0.67	0.67-0.68
0.68-0.69	0.69-0.70	0.70-0.71
0.72-0.73	0.73-0.74	0.74-0.75

## Money Market Bank Accounts

Oct 22	Oct 23	Oct 24
1.4750-1.4775	1.4800-1.4825	1.4850-1.4875
0.62-0.63	0.63-0.64	0.64-0.65
0.65-0.66	0.66-0.67	0.67-0.68
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0.62-0.63	0.63-0.64	0.64-0.65
0.65-0.66	0.66-0.67	0.67-0.68
0.68-0.69	0.69-0.70	0.70-0.71
0.72-0.73	0.73-0.74	0.74-0







## LONDON STOCK EXCHANGE

## FT-SE fails to penetrate 3,200 level

By Steve Thompson

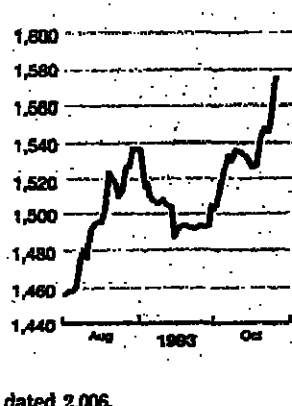
A UK stock market beginning to display signs of running out of steam after the near-euphoric trading activity following Germany's interest rate cuts on Thursday, was given a fresh boost from across the Atlantic where Wall Street was threatening to push through its all-time trading high. The Dow Jones Average was trading above its previous closing high as London closed yesterday afternoon. Adding to the bullish trend was a bigger than expected rise in UK gross domestic product in the third quarter.

But the FT-SE 100 index, despite numerous attempts, just failed to penetrate the

2,000 level, although closing at a new all-time record. The FT-SE 100 settled 10.7 higher at a record 3,199.0, a rise of 78.2, or 2.5 per cent over the week, while the FT-SE Mid 250, 20.8 firmer at a peak 3,547.0, was 67.2, or 1.9 per cent higher over the five-day period.

However, dealers said that activity in the Footsie future after the market had closed

## FT-SE All-Share Index



Long-standing worries that the market has run too far, too fast were shrugged aside by

senior marketmakers, now used to paying a high price to close any short positions. A widespread view around the trading desks was that traders had paid too much heed to stories about an overvalued Wall Street.

Mr Richard Jeffreys of Charterhouse Tilney, the stockbroker, said he expected the equity market to become "more tentative ahead of the Budget". At Strauss Turnbull Mr Ian Harnett cautioned against what he described as "a search for value in second-line stocks." He said these had outperformed the leaders by around 6 per cent over the past year and recommended a move back into the leaders ahead of the Budget.

## Two-way pull in Dixons

A STRONG two-way pull in Dixons saw the shares dip sharply before recovering in late trading as turnover hit a hefty 4.5m.

The store group came under early pressure as news broke from a trade press magazine that Tandy Corporation, the leading US electrical retailer, was about to launch a challenge in the UK to Dixons' PC World computer superstore concept. According to the report, Tandy had earmarked a number of sites - each of which is above 25,000 sq ft - to launch its UK operations.

Dixons shares weakened sharply, coming off almost 10 at one stage. With a good sense of timing, Dixons was yesterday hosting an analysts visit to a PC World site in Cardiff, and reports drifting back from South Wales in the afternoon were said to be positive, with the company hinting at brighter sales and firm margins. The shares staged a rally and closed just 3/4 off at 276 1/4.

## Telecoms busy

More volatile moves in the telecoms sector provoked a variety of stories, but dealers said that most of the action was down to a simple bout of profit-taking. SG Warburg was one of a number of brokers advising a pause for breath on the sector, although remaining fundamentally positive.

Telecoms stocks have zoomed forward in recent weeks as several bullish factors have come into play,

including the proposed £22m takeover by Bell Atlantic of Telecommunications Inc, the rating applied to the flotation of Singapore Telecom and the video on demand potential linked to BT.

Cable and Wireless was among the worst hit, the shares tumbling 17 to 94p. BT also slipped back, its shares ending 6 1/2 at 48p. Vodafone bounced from initial weakness to close 2 up at 56 1/2.

The week's burst of activity in international markets turned the spotlight on the merchant banks, sending the shares sharply ahead. Kleinwort Benson moved 13 ahead to 51 1/4, while SG Warburg gained 2 1/2 to 90 1/2.

The rest of the investment sector was not to be left behind and M&G Group blasted through the £10 barrier. Mercury Asset Management improved 8 to 71 1/4.

Elsewhere in financials, talk that several influential brokers

were set to be bought out by buy recommendations for National Westminster helped fuel the day's advance in the shares. They closed 12 up at 58 1/2, in trade of 3.3m.

A stock overhang depressed Abbey National and the shares bucked the market trend to close 6 1/2 higher at 41 1/2.

A recommendation from Strauss Turnbull following a visit to Standard Chartered boosted the banking group's shares sending them 21 ahead to 103 1/2.

Drugs stocks continued to enjoy investor interest, with Wellcome especially ending the week with a flourish. The stock, which has been buoyed by an upbeat US conference, moved ahead 2 1/2 to reach 84 1/4. After US interest boosted the stock in the previous session, the buying was thought to have spread out to be more general yesterday and was sustained through most of the day.

SmithKline A pushed up 13 1/2 to 44 1/2 and Zeneca added 14 to 79 1/4.

Running against the trend was Glaxo which gave up 7 1/2 to close at 71 1/4. The stock, which has been at the forefront of the drugs' share fall back as investors switched into its rivals.

On its last day of trading, Rothmans "B" put on 5 to 62 1/2, as turnover reached 6.4m. The company is being restructured into two separate groups with effect from Monday.

However, a Stock Exchange ruling means that the new shares issued by Rothmans and Vendome, after the reorganisation of the tobacco and luxury goods group, will not be traded in the UK stock market indices.

## TRADING VOLUME IN MAJOR STOCKS

Stock	Volume	Open	Close	High	Low	Change	Day's Range	Money Order	Outing	Day's Range	Money Order	Outing	Day's Range
ASDA Group	15,000	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Industries	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Inc.	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Tech	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Group	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Corp	1,500	100.00	100.00	100.00	100.00	0.00	100.00 - 100.00	1,500	100.00	100.00	1,500	100.00	100.00
Alcoa Indus	1,500	100.00	100.00	100.00	100.00	0.00	100.0						



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FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (771) 873 4378 for more details.

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<div><div>Scottish Amicable</div><div>170 St Vincent St, Glasgow</div><div>Life Funds (First Series)</div><div>0001 175.6</div><div>0002 175.6</div><div>0003 175.6</div><div>0004 175.6</div><div>0005 175.6</div><div>0006 175.6</div><div>0007 175.6</div><div>0008 175.6</div><div>0009 175.6</div><div>0010 175.6</div><div>0011 175.6</div><div>0012 175.6</div><div>0013 175.6</div><div>0014 175.6</div><div>0015 175.6</div><div>0016 175.6</div><div>0017 175.6</div><div>0018 175.6</div><div>0019 175.6</div><div>0020 175.6</div><div>0021 175.6</div><div>0022 175.6</div><div>0023 175.6</div><div>0024 175.6</div><div>0025 175.6</div><div>0026 175.6</div><div>0027 175.6</div><div>0028 175.6</div><div>0029 175.6</div><div>0030 175.6</div><div>0031 175.6</div><div>0032 175.6</div><div>0033 175.6</div><div>0034 175.6</div><div>0035 175.6</div><div>0036 175.6</div><div>0037 175.6</div><div>0038 175.6</div><div>0039 175.6</div><div>0040 175.6</div><div>0041 175.6</div><div>0042 175.6</div><div>0043 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175.6</div><div>0796 175.6</div><div>0797 175.6</div><div>0798 175.6</div><div>0799 175.6</div><div>0800 175.6</div><div>0801 175.6</div><div>0802 175.6</div><div>0803 175.6</div><div>0804 175.6</div><div>0805 175.6</div><div>0806 175.6</div><div>0807 175.6</div><div>0808 175.6</div><div>0809 175.6</div><div>0810 175.6</div><div>0811 175.6</div><div>0812 175.6</div><div>0813 175.6</div><div>0814 175.6</div><div>0815 175.6</div><div>0816 175.6</div><div>0817 175.6</div><div>0818 175.6</div><div>0819 175.6</div><div>0820 175.6</div><div>0821 175.6</div><div>082</div></div>
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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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Continental EuroTel	\$3.33	3.53	-0.02
Global Bond Fd	\$21.33	22.56	-0.15
European Tech7	\$12.11	13.66	-0.09
Germany Tel	\$169.70	10.77	-0.02
Global Comm Tel	\$14.78	13.62	-0.07
Global Securities 88	\$20.16	21.34	-0.08

[illegible]

King International Features			
King Limited-Ord.	\$50.94		
King Limited-Inv.	\$15.27		
King Oil Ltd-Spec. Inv.	\$21.96		
King Oil Ltd-New York	\$25.00		

WMT GSD LGS - Jan 1994	\$31.27	-	SAATCHI/Parsons Hedge	\$107.80	+0.78
WMT GSD LGS - Dec 1994	\$19.63	-	SABA Opportunity	\$713.26	-
WMT GSD LGS - Aug 1995	\$16.40	-	SABA Strategy	114.40	+1.89
WMT GTC PFD LGS - Jan 94	\$14225.74	-	Alpha GAM	119.84	-
WMT GTC PFD LGS - Feb 94	\$14160.08	-	Carl Spangler KAG	-	-
WMT GTC PFD LGS - Mar 94	\$136.02	-	Long Term Value Trust NW	\$713.42	-
WMT GTC PFD LGS - Apr 94	\$131.88	-	State Street Bankers SA	-	-
WMT GTC PFD LGS - May 94	\$131.77	-	Actione France	FF12903.00	-
WMT GTC PFD LGS - Jun 94	\$115.57	-	-	-	-
WMT GTC PFD LGS - Jul 94	\$112.72	-	-	-	-
WMT GTC PFD LGS - Aug 94	\$112.72	-	-	-	-
WMT GTC PFD LGS - Sep 94	\$112.72	-	-	-	-
WMT GTC PFD LGS - Oct 94	\$112.72	-	-	-	-
WMT GTC PFD LGS - Nov 94	\$112.72	-	-	-	-
WMT GTC PFD LGS - Dec 94	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jan 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Feb 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Mar 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Apr 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - May 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jun 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jul 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Aug 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Sep 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Oct 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Nov 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Dec 95	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jan 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Feb 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Mar 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Apr 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - May 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jun 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jul 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Aug 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Sep 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Oct 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Nov 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Dec 96	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jan 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Feb 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Mar 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Apr 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - May 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jun 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jul 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Aug 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Sep 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Oct 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Nov 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Dec 97	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jan 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Feb 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Mar 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Apr 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - May 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jun 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jul 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Aug 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Sep 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Oct 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Nov 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Dec 98	\$112.72	-	-	-	-
WMT GTC PFD LGS - Jan 99	\$112.72	-	-	-	-
WMT GTC PFD LGS - Feb 99	\$112.72	-	-	-	-

STY 650 Power Tools 2000	\$11.57
STY 650 Cordless 2000	\$12.10
STY 650 Cordless 2001	\$11.96
STY Pacific Ltd	\$11.96
STY World Futures Ltd	\$10.20
STY World Futures Ltd	\$10.20
STY World Futures Ltd	\$11.96

[illegible]

Latin Art Class A Sep 30	\$71.31	---	--
Latin Art Class B Sep 30	\$71.31	---	--
Latin Class A Sep 30	\$72.18	---	--
Latin Class B Sep 30	\$72.18	---	--
Latin Class C Sep 30	\$71.38	---	--
Latin Class D Sep 30	\$71.38	---	--

[illegible]



October 22  
AAR Com[illegible]

783	74
748	74
67	74
590	42
67	1 288
1 194	42
115	42
1 080	42
200	42
1 080	42
8 220	42
5 725	42
1 723	42
1 080	42
1 080	42
3 740	42
3 650	42
3 635	42
1 750	42
1 080	42
422	42
2 550	42
725	42
725	42
1 258	42
742	42
1 358	42

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1 10	42
2 10	42
1 1	42
95	42
10 50	42
136	42
217	42
217	42
33 75	42
2 150	42
44 50	42
33	42
75	42
7 50	42
75	42
7 50	42
50	42
75	42

57.75	+28
57.50	+30
57.25	+32
57.00	+34
56.75	-1
56.50	-3
56.25	-5
56.00	-7
55.75	-9
55.50	-11
55.25	-13
55.00	-15
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50.00	-55
49.75	-57
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49.25	-61
49.00	-63
48.75	-65
48.50	-67
48.25	-69
48.00	-71
47.75	-73
47.50	-75
47.25	-77
47.00	-79
46.75	-81
46.50	-83
46.25	-85
46.00	-87
45.75	-89
45.50	-91
45.25	-93
45.00	-95
44.75	-97
44.50	-99
44.25	-101
44.00	-103
43.75	-105
43.50	-107
43.25	-109
43.00	-111
42.75	-113
42.50	-115
42.25	-117
42.00	-119
41.75	-121
41.50	-123
41.25	-125
41.00	-127
40.75	-129
40.50	-131
40.25	-133
40.00	-135
39.75	-137
39.50	-139
39.25	-141
39.00	-143
38.75	-145
38.50	-147
38.25	-149
38.00	-151
37.75	-153
37.50	-155
37.25	-157
37.00	-159
36.75	-161
36.50	-163
36.25	-165
36.00	-167
35.75	-169
35.50	-171
35.25	-173
35.00	-175
34.75	-177
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WORLD STOCK MARKETS

AMERICA

# Dow poised to hit new high as cyclical rise

## Wall Street

WALL Street regained a measure of confidence yesterday as investors digested the week's heavy flow of corporate earnings news, writes Frank McGurty in New York.

As a result, the Dow Jones Industrial Average appeared poised to surpass its all-time closing high.

SAO PAULO extended its run of high volatility, rising by 10 per cent in moderate session trade in a rebound from sharp losses earlier this week. Brazil's economy minister, Mr Fernando Henrique Cardoso, said he would not increase taxes on income and manufactured goods, and the Bovespa index rose by 1,519 to 16,581 at 1pm local time.

At midday, the Dow was 38.58 higher at 3,674.72, well above the average's record close of 3,652.09 reached on August 25. The more broadly based Standard & Poor's 500 was 1.96 ahead at 467.82, while the Amex composite was up 0.27 at 477.79. The Nasdaq composite gained 4.77 to 776.05.

At the opening, a cautiously optimistic note was sounded by the US Treasury market, as bond prices moved above levels reached in Thursday's sell-off. By midday, the benchmark 30-year issue was up  $\frac{1}{8}$  at 104 $\frac{1}{2}$ , to yield 5.90 per cent.

From the outset, however, equities moved decisively into positive territory. After reviewing the third-quarter performance of many cyclical companies, most affected by business cycles, many investors appeared to be encouraged by the economic outlook.

The perception of improving conditions was reinforced by Thursday's news that business activity in the Philadelphia area had surged over the past month.

Other investors, meanwhile, were taking the opportunity to

book profits following declines in the main indices during the previous session. The combined effect was to give the markets a firm push forward after a week of zig-zagging.

One of the most actively traded issues was Caterpillar, up 3 $\frac{1}{2}$  at \$89 $\frac{1}{2}$ , after being upgraded by several analysts on the strength of its earnings report.

Another advancing cyclical was Cummins Engine, up 3 $\frac{1}{2}$  to \$37 $\frac{1}{2}$ , after it provided forecasts with reasons to expect further profit gains in the fourth quarter.

Banking issues continued to recover from losses which followed JP Morgan's cut in its prime lending rate earlier in the week. Bankers Trust climbed  $\frac{1}{2}$  to \$80 $\frac{1}{2}$ , while Chase Manhattan added  $\frac{1}{4}$  to \$35 $\frac{1}{2}$  in heavy volume. JP Morgan gained  $\frac{1}{4}$  to \$74 $\frac{1}{2}$ .

QVC, which has announced an \$80-a-share tender offer as part of a two-tier deal to acquire Paramount, was down  $\frac{1}{2}$  at \$55 $\frac{1}{2}$  on the Nasdaq. On the NYSE, Paramount was \$1 at \$77. On the Amex, class-A shares in Viacom, Paramount's friendly suitor, fell  $\frac{1}{4}$  to \$59, while its non-voting class-B shares were off  $\frac{1}{4}$  at \$53 $\frac{1}{2}$ .

## Canada

TORONTO followed the US market higher at mid-session, although its gains were more muted. The TSE-300 composite index was up 5.06 at 4,188.26 in volume of 30m shares, valued at C\$535m. Advancing issues topped the list with 327 stocks unchanged.

**SOUTH AFRICA**  
GOLD stocks lost ground in line with a fall in the price of bullion. The index fell 60 or 3.4 per cent to 1,716, while the industrial index was off 5 at 4,495 and the overall 33 to 3,872. De Beers lost R1.50 to R23 and Anglo R2.25 to R136.

# US equity investors search for value overseas

The recent trend represents a significant change in investment attitudes, writes Patrick Harverson

Frustrated by sluggish economic growth, low yields and expensive stocks at home, US investors are pouring their money into overseas equity markets in unprecedented amounts.

In doing so, they have provided foreign markets with a new source of liquidity, and driven share prices in Europe, Latin America and the Far East to new highs.

The flood of US money abroad, however, is about more than a short-term search for higher returns. It reflects the growing sophistication of the once-parochial US investment community which, until recently, was reluctant to risk its money abroad.

According to the latest data on overseas investments, net purchases of foreign stocks by US investors in the second quarter of this year were a record \$13.8bn, it was the 20th straight quarter when US investors bought more overseas stocks than they sold, and it took net purchases for the first half of this year to \$21.7bn, almost twice the amount recorded in the first six months of 1992. US holdings of foreign stocks now stand at \$210bn, more than

double the total of just two and a half years ago.

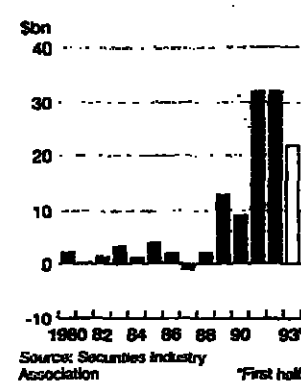
Most individual investors have bought into foreign markets via mutual funds. In August, for example, 45 per cent of the net \$12.1bn invested in US stock mutual funds went into funds that buy overseas equities.

Institutional investors have also been snapping up foreign stocks, including the normally conservative public pension funds, which are being told by investment advisers to drop their usual reluctance to invest abroad and increase the size of their foreign holdings.

Fund managers across the US have been amazed at the demand for foreign stocks. Mr Rick Mace, co-manager at Fidelity Global Balanced Fund, describes the recent interest among US investors in foreign stocks as "phenomenal", and says that it dates back to about 1980, but has become more widespread in the last few years. "Foreign markets are relatively so much more attractive. Comparable companies in foreign markets are trading at lower multiples of earnings, cash flow and book value, than US companies."

US investors are looking for those kind of bargains every-

## US net purchases of foreign securities



Source: Securities Industry Association

where. Although the UK, Canada and continental Europe remain the most popular destinations for US money (primarily because of falling or low interest rates are expected to stimulate local economies), investors are becoming more adventurous in their search for diversification and value.

They have been especially keen on emerging markets in Europe, where the opportunities for investing in newly privatised industries in former Communist countries are growing, and in Latin America

and the Far East.

Hong Kong, for example, has proved very attractive to US investors. In the second quarter they bought \$1.8bn of Hong Kong equities, almost as much as they invested in the far bigger Japanese market. For many, buying Hong Kong stocks is regarded as a relatively safe way of investing in the future of China, the world's largest country with one of the fastest growing economies.

It is no surprise that US investors are rushing overseas when their home market has lagged behind the rest of the world. In Hong Kong, according to the FT-Actuaries World Indices, stocks have climbed 56 per cent in dollar terms this year, in Japan 46 per cent, in Italy 28 per cent, in Spain 26 per cent, and in the UK 11 per cent. In contrast, the value of US stocks has risen by 7.5 per cent, the poorest performance of any country other than Mexico.

US demand for foreign stocks has acted like a virtuous circle. By boosting prices in many overseas markets, they have lured more US money abroad. "The better the foreign markets do, the more interest there is in them," says Mr Mace.

Although the recent growth in US investment overseas has been remarkable, there is a concern that it may be short-lived. In particular, some analysts believe a sudden upturn in US interest rates might stem the flow of money overseas, simultaneously by making domestic fixed-income securities more attractive, and by boosting the value of the dollar which would cut into the value of US investors' foreign assets.

Among those who believe that US investors' love affair with foreign stocks may prove temporary is Mr Scott Black, a fund manager with Delphi in Boston, who says: "It's the next gimmick. Everyone always buys into the next gimmick." He is especially wary of those who have bought into markets they know little about. "I'm not keen on Hong Kong. It's a crapshoot. Who knows what it's going to look like in 1997?"

Other fund managers, however, argue that growing interest in foreign stocks represents a fundamental change in investors' attitudes to non-US assets. Mr Mace of Fidelity

says: "The definition of overseas versus domestic stocks is going to blur. People want a diversified portfolio, that is diversified not just across one market but across countries."

Mr William Holtzer, a fund manager responsible for global funds at the New York investment group Scudder, Stevens & Clark, sees the trend towards overseas investment in an even broader context. "It's not a euphoria we are seeing, but a panic. People are panicking about their retirement income."

Mr Holtzer believes that a new generation of investors, desperate to build a portfolio that will provide enough income for their retirement, is moving into foreign equities in search of higher returns.

He also thinks that investors' interest in foreign stocks will prove more resilient than critics think, even if they suffer the occasional setback overseas.

"The first round of international investing [in the early 1980s] was based largely upon growth in the Japanese stock market. Well, that market fell to bits, but it didn't knock the trend off the rails, just slowed it down a bit."

## EUROPE

# Interest rate cuts, dollar and Wall Street lift bourses

BOURSES rose on interest rate cuts and a higher dollar, moving into an exciting afternoon as Wall Street threatened its all-time highs, writes Our Markets Staff.

FRANKFURT built on the American post-bourse buying which lifted it on Thursday afternoon. The DAX index rose 31.48 to a new closing high of 2,068.17, up 2.5 per cent on the week, gained more lift from Wall Street and closed the day at an all-time high of 2,068.17.

Turnover rose from DM9.5bn to DM11bn. Volkswagen rose through a key chart point, rose DM11 to DM289.80 on the session, and piled on another DM6.20 to DM296 in the post-bourse for a 4.5 per cent gain on the day.

Allianz, the insurer, closed

as a beta stock on its ability to outperform the market, rose DM63 to DM283.32, and by another DM28 after hours. Thyssen, the steelmaker, consolidated Thursday afternoon's gains, rising DM8 to DM236.

PARIS set a new closing high with investors encouraged by the 30 basis point cut in the intervention rate at the start of business. The CAC-40 index added 32.14 or 1.5 per cent to 2,231.86, more than 4 per cent up on the week.

The banking sector was firmer overall. However, Hoare Govett recommended an underweight position in this sector, on the basis that "current ratings appear already to be fully discounting a full earnings recovery in 1995 without giving due weight to the difficulties

## FT-SE Actuaries Share Indices

October 22		THE EUROPEAN SERIES									
Hourly changes		Open	11.30	12.00	13.00	14.00	15.00	16.00	Close		
FT-SE Eurostock 100	1375.54	1375.54	1377.62	1377.75	1377.44	1381.21	1384.42	1386.16	1386.16		
FT-SE Eurostock 200	1442.29	1440.55	1441.91	1442.22	1443.28	1445.04	1446.48	1447.89	1447.89		
		Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15			
FT-SE Eurostock 100	1385.45	1348.34	1348.27	1347.38	1347.38	1347.38	1347.38	1347.38			
FT-SE Eurostock 200	1435.57	1422.07	1422.07	1414.84	1414.84	1414.84	1414.84	1414.84			

[such as property-related loans] which will continue to beset the sector for at least the next 12 months."

MADRID posted early gains on an intervention rate cut, and extended them to close with the general index 5.10 higher at 310.28, up 3.9 per cent on the week. Banks joined utilities as the buyers' choice. Popular

Ciba-Geigy, up SF77 at SF745, as the SMI index rose another 11.7 to a new high of 2,701.6, up 3.4 per cent on the week.

AMSTERDAM's CBS Tendency index finished up 1.4 at 137.1, a week's rise of nearly 5 per cent. Nedlloyd was suspended for a short period before announcing a further stage in its diversification programme to concentrate on core interests. The shares fell back FI 1.00 at FI 52.60, but up 12 per cent over the week.

MILAN lagged behind, the Comit index gaining 4.03 to 593.76 for a 2.6 per cent rise on the week. Fiat put on L22 to L3.883 on news that it had been asked by the French authorities to be a core shareholder of Rhone-Poulenc when it is privatised.

COPENHAGEN was lifted to a further closing high after the cut in interest rates by the KFX index adding 1.10 to 105.05, for a gain of 3.2 per cent over the week.

HELSINKI put on 2.9 per cent, the Hex index closing 43.4 higher at 1,559.6. Banks gained 5 per cent on news that the Savings Bank of Finland was up for sale. Nokia climbed FM20 to FM320 on a better than expected interim report.

ISTANBUL fell back by more than 3 per cent after the constitutional court halted the planned privatisation of the state telecommunications group. The composite index shed 505.9 to 14,320.9.

Written and edited by William Cochrane and John Pitt.

## ASIA PACIFIC

# Mixed pickings in region as Nikkei revives

## Tokyo

THE decline of the yen against the dollar boosted the high-technology sector, and share prices gained ground on buying by arbitrageurs and financial institutions, writes Shunzo Terayama in Tokyo.

The Nikkei 225 average rose 65.41 to 20,254.83, an advance of 0.5 per cent on the week. The index opened at the day's low of 20,223.82 before rising to a high of 20,377.84 during the morning session.

Volume rose from 228m to 317.2m shares, clearing the 300m level for the first time in five days. Gainers led losers by 605 to 400, with 180 unchanged. The Topix index of all first section stocks closed 17.53 higher at 1,863.09 and, in London, the ISE/Nikkei 50 index rose 0.61 to close at 1,305.49.

Traders said that active buying deterred investors, who had expected share prices to decline, from selling. In spite of the yen's fall against the dollar, foreign investors also refrained from selling shares.

High-technology stocks were strong. Hitachi rose Y13 to Y863. Matsushita Electric Industrial Y30 to Y1,490 and Sony Y100 to Y4,900.

Arbitrage buying supported banks. Industrial Bank of Japan rose Y80 to Y3,340 and Sakura Bank gained Y80 to Y1,720. Brokers were also higher, ahead of interim results, announced after the close. Nomura Securities rose Y40 to Y2,000 and Daiwa Securities gained Y50 to Y1,400.

Pharmaceuticals, which had been strong recently on new drug developments, were among the few losers on the day. Yamanouchi Pharmaceutical fell Y20 to Y2,350 on profit-taking, while Daiichi Pharmaceutical rose Y10 to Y1,210. In Osaka, the OSE average rose 131.73 to 22,615.95 in volume of 29.8m shares. Export oriented stocks, including the electronics sector, were strong because of the weaker yen.

**Roundup**  
EXCITEMENT, stagnation and retreat were all in evidence

in the region yesterday.

NEW ZEALAND hit another four-year high in thin and volatile trading dominated by buying in Fletcher Challenge. The NZSE 40 index closed up 10.71 to 2,098.11, 1.2 per cent higher on the week. FCL rose 12 cents to NZ\$3.08, and turnover fell to NZ\$46m from some NZ\$70m.

MANILA took profits on some blue chips and switched to second-liners, but the composite index still rose 13.53 to a new high of 2,269.99, 3.9 per cent higher on the week.

TAIWAN climbed by 2.2 per cent in heavy trade on buying of speculative stocks by major participants, hopes for an interest rate cut and a good profit announcement by Cathay Life Insurance.

The weighted index ended 85.28 higher at 4,052.38, 0.7 per cent up on the week, in turnover up from T\$19bn to T\$33.2bn.

BOMBAY closed higher on short-covering by speculators after carry-forward costs were fixed at 1.75 to 2.25 per cent a month - lower than antici-

pated. The BSE index ended 37.0 higher at 2,720.0.

HONG KONG continued the correction that began after a 3.1 per cent gain on Monday. The Hang Seng index closed 163.36, or 1.8 per cent, lower at 8,719.32, just 0.5 per cent down on the week, as turnover slowed further to HK\$5.60bn against HK\$6.84bn.

Recently buoyant utilities were hard hit, with China Light losing HK\$1.50 to HK\$30. China Gas 70 cents to HK\$17.70 and Telecom 40 cents to HK\$5.50.

AUSTRALIA saw big business in major banks, particularly ANZ and Westpac, and a lower gold sector, but the All Ordinaries index ended a mere 1.0 higher at 2,061.4, 0.6 per cent down on the week, in turnover of A\$406.4m.

Among banks, ANZ was up 7 cents at A\$4.07, Westpac 10 cents higher at A\$4.26 and CBA up 9 cents at A\$3.85. NAB slipped 8 cents to A\$3.28.

## LONDON SHARE SERVICE

### BRITISH FUNDS

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## LONDON SHARE SERVICE

## AMERICANS

Company	Price	% Chg	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	99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# Weekend FT

SECTION II

Weekend October 23/October 24 1993

## The triumph and tragedy of the Thatcher years



**T**HEY WERE years of triumph, they ended in tragedy - but without treachery. Margaret Thatcher's 11 years as prime minister will stand out as a period of remarkable achievement, marked by decisive and fatal errors of judgment in her third, final term in office.

It is a sad reflection of the scale of those errors, and her absolute incapacity to recognise them, that her memoirs are scarred by an almost obsessive desire to justify her last three years in power, to the exclusion of so much else.

Virtually all public comment on *The Downing Street Years* has focused on the years 1987-90, and so perhaps inevitably will this review. That is a pity. The first two-thirds of Margaret Thatcher's book are a relatively balanced and well-researched account of her government.

They lack the arresting immediacy of Hugo Young's biography or the intellectual brilliance of Nigel Lawson's record of the same years. But they capture something of her heroic battle against the accumulated causes of British decline.

It is all too easy for the conflicts and failures of later years to eclipse the scale of earlier triumphs. Most difficult and most lasting was the dismantling of the malign, if unspoken, compact between state ownership and monopoly trade-unionism in Britain's bloated public sector - culminating in divisive but essential success against Arthur Scargill.

Almost as fundamental were three key economic changes: the central switch we made in our tax structure away from demotivating burdens on enterprise and investment, the recovery of control we secured over public finances, and the remarkable success we achieved against inflation. Margaret Thatcher rightly takes credit for the renewed economic vitality with which we entered the 1987 election - just as she does for the broader revival of national self-confidence which sprang from the Falklands victory.

I acknowledge the generosity of Margaret Thatcher's tribute to my work as chancellor and return the compliment. It was an exciting privilege to serve in a government that first arrested and then began to reverse Britain's prolonged economic decline. As chancellor, my policies could not have been sustained without the Prime Minister's

sometimes near-solitary support. In retrospect, I may have been too ready to rest upon this backing, and so to condone her instinct to dispose of Cabinet members who were not "true believers". Her base might have been stronger in the years ahead, especially after the Westland affair, if she had tried harder to secure the understanding of "difficult" colleagues, rather than their departure.

Such shortcomings, however, seemed of little consequence in the early years. It was my happy fortune to serve as foreign secretary during a period when a prospering economy and a respected leader together generated growing British influence in the world. The sparkling dynamic of Britain's increasingly successful woman prime min-

**Geoffrey Howe, Thatcher's former chancellor, reviews her memoirs and tells why they are scarred by an obsessive desire**

ister opened many doors, not least across the Atlantic. The special chemistry of her relationship with Ronald Reagan enabled her, on two occasions at Camp David, to secure concessions that were of crucial importance for our continental allies as much as for ourselves.

The first Camp David was in December 1984, when President Reagan accepted crucial changes for his SDI (strategic defence initiative) programme - so that it would enhance not undercut the doctrine of deterrence, and so that deployment, as distinct from research, would be a matter for negotiation. At the second meeting, two years later, she repaired the near-fatal damage inflicted at the Reagan-Gorbachev Reykjavik Summit: the President was persuaded to re-affirm that NATO's strategy of flexible response would continue to require effective nuclear deterrence.

Margaret Thatcher is entitled to remind us, as she does, that "much hung on my relationship with the President". The Thatcher relationship with Mikhail Gorbachev became curiously similar in many respects to her transatlantic part-

nership. I watched it developing between the first meeting at Chequers in December 1984 and its "consummation" on her first visit to Moscow in March 1987. Probably the closeness of their dialogue had more impact on the American view of Gorbachev than on the Soviet leader himself. But it was none the less important for that.

The conversation that bubbled between Thatcher and Gorbachev was talk between fellow radicals. It was almost as lively between Thatcher and Reagan - between fellow conservatives. In both cases, the prime minister's attitude was always one of respect, almost of deference. It was very different, of course, with her European opposite numbers. She was dealing here with folk and nations of her own size - or smaller. Initially her European shock tactics had a cathartic effect. With the growing experience of Helmut Kohl and Francois Mitterrand - as well as the strategic skill of Jacques Delors - this approach began to backfire badly. She never enjoyed European politics, and never understood the importance of diplomacy and persuasion.

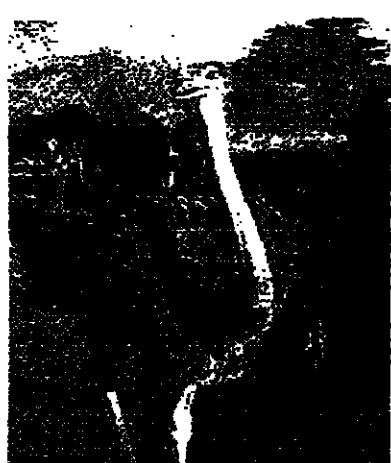
In many ways, the turning point of her tenure was the Westland affair. It was then that she identified Europe as a key fault line in her government, and indicated to senior colleagues that saving her own position would take precedence over loyalty to others. Her explanation of those events is ultimately unconvincing and verges on the comic.

At one point she notes: "Alas, Leon's days were numbered." She even declares that Michael Heseltine's advocacy of his position meant that "Cabinet collective responsibility was being ignored... This had to stop." Coming from the past mistress at marginalising Cabinet committees and deciding issues in bilaterals, this is quite a statement. Margaret Thatcher developed over time a clear determination to limit dialogue within government. As chancellor and, to a lesser extent, as foreign secretary, I was lucky enough to be one of those who very often had to be present. But one has little doubt - and at the time had few illusions - that she came to see collective discussion as an irritating inconvenience. Her book is full of examples of this, disclosed with astonishing candour. Taking SDI again, she notes casually: "I kept

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### The Long View/Barry Riley

## On borrowed time



**N**EXT WEEK'S auction of UK government bonds by the Bank of England will be the biggest yet at £3.5bn, which is £60 for every man, woman and child in the country. The issue will not even go very far towards covering the extra debt accumulated by the public sector in September alone of £5.9bn.

Yet the Bank is well ahead of the game in its borrowing programme this year. Including next Wednesday's tranche of gilts it will have financed nearly £40bn of the projected £50bn public sector borrowing requirement for the financial year. It will not hold an auction in November and maybe not in December either. The experience of most debtors is that the transition from having money thrust upon them and then finding it impossible to obtain at any price is an unpredictable and sudden one.

Bearing in mind that some City forecasters were warning at the beginning of the year that yields might have to go to 10 per cent to get rid of all the paper it has turned out remarkably easy. But it would be dangerous to become complacent. The experience of most debtors is that the transition from having money thrust upon them and then finding it impossible to obtain at any price is an unpredictable and sudden one.

Right now, money is flooding the world's capital markets. Buyers are snapping up Italian bonds, Mexican bonds and, this week, Bangkok Land Eurobonds. In this context the impeccable creditworthiness of Her Britannic Majesty's government is scarcely questioned.

Should it be? This week the Institute for Fiscal Studies produced its Green Budget study of the UK's finances, with much of the macroeconomic input provided by Goldman Sachs. The picture is one of violent contrasts. Although the

government's debt is lower, in relation to national income, than for 200 years, it has begun rising faster than it has ever done before in peacetime.

The size of this year's PSBR, at 8 per cent of GDP, is large but no bigger than was seen in the mid-1970s. On further examination, however, the picture is more disturbing. Rapid rates of inflation in the 1970s and early 1980s meant that the apparently high level of borrowing was something of an illusion, because there was a powerful inflation "tax" on the real value of the debt in the hands of investors.

Moreover a significant part of the debt was incurred in financing investment in physical assets by local authorities and nationalised industries: some of this has in fact been realised over the past ten years through privatisation. It is very different now. With inflation low the debt sticks obstinately around: a government that wants to achieve low inflation must also be ready to run low budget deficits.

**T**he problem is that today's new borrowing is almost entirely to finance current spending, so the implications for the shape of the public sector's balance sheet and future revenues are dire. We have a year or two to get it right, but at the moment we are on the road to ruin, comforted only by the sight of Belgium, Italy and Sweden ahead of us.

A look at the structural distortions in the British economy makes it very clear why this should be so. In the past few days the statistics have pointed to the familiar trends of buoyant retail spending and a worsening balance of payments.

We are drifting in the direction of an unsustainable consumer-led recovery. Personal disposable income has risen sharply as a proportion of GDP during the recession and although the savings rate has risen (at least until very recently) consumers' expenditure has reached 65 per cent of GDP compared with 60 per cent during the recession of the early 1980s.

The policy responses ought to be as

follows: increases in personal taxes on incomes and expenditure in order to cut consumption; and reductions in company taxes in order to raise investment, which should be made more profitable through a fall in the exchange rate encouraged by lower short-term interest rates. At least the government is no longer trying to destroy industry by fixing the pound at DM2.95, but the low inflation target might have something of the same effect.

The budget deficit problem also looms large. Unless the economy continues to expand at a steady rate the PSBR could balloon. But the Green Budget sets out something of a Hobson's Choice here. If economic growth runs at only 1.5 per cent a year the PSBR could rise to 9 per cent of GDP by 1996-97. But if growth is a healthy 3.5 per cent a year the balance of payments deficit will rise to 5 per cent of GDP by the same date. The trouble with running big twin deficits is that if you keep one of them under control the other one comes and hits you from behind.

From Kenneth Clarke's point of view at the Treasury the economic judgment is probably that the consequences of slow growth will be worse than those of overheating. Therefore he should stimulate now and be ready to correct later. Unfortunately this does not easily mesh with the political priorities which dictate that he should be tough now but cut taxes and interest rates in 1995 ahead of a tentative election date in the summer or autumn of 1996.

The way of squaring the circle is probably through another series of phased tax increases so that he could seem to be cutting taxes in the election run-up even though the actual pre-programmed burden might still be building up.

But as we have seen with VAT on domestic fuel, deferred increases have the political disadvantage in that they give disgruntled groups of protesters all the time in the world to organise their opposition.

Dear loyal newspaper readers be warned, it may soon be time to get ready.

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MARKETS

London

# City dances to euphoria's siren song

by Peter Martin, financial editor

THE MOST intriguing story in the FT this week appeared on the capital markets page on Wednesday. It started: "Bangkok Land, Thailand's biggest property group, is planning to launch a \$600m Euro-convertible debenture."

We live, of course, in jaded times. And doubtless Bangkok Land is Thailand's biggest property group. But, still, that sentence makes you blink. After all, even these days, \$600m is a lot of money. The average British property group might think twice about an issue of that size. Even blue-chip British Land, launching a debenture in the spring, managed to keep its appetite for cash to £300m.

That new issues may seem of limited relevance to the average British investor. But, even in these days of global money transmission, sentiment is more fungible across borders than cash. And the sentiment that allows Bangkok Land to tap the Euromarkets on such a scale is one that has proved

particularly contagious in the past euphoria.

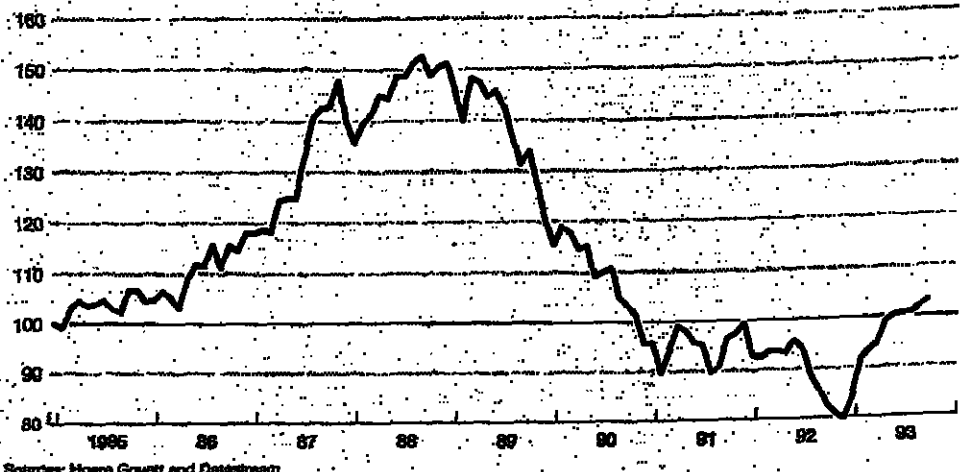
This comes in two varieties: specific and general. The specific sort is - in this instance - a belief in the apparently magical growth properties of the south-east Asian economies. Although such enthusiasms start off grounded in fact, calculation soon gives way to blind faith.

Still, the rational investor can easily avoid a specific enthusiasm. Such localised bursts of hysteria are usually easy to monitor. Someone sceptical about the 1980s' enthusiasm for small company shares, shown in the chart, could have opted out of the ride when the ascent became stratospheric early in 1987. And, despite the recent recovery of interest in small companies, the market seems to have this enthusiasm under control.

General euphoria is much harder to avoid: it seeps into your bones little by little. You start off buying a new tie and end up with an over-weight position in Bolivian warrants.

The rise and fall-and rise of the small company

Hoare Govett Small Business Index relative to the FT-SE 100 Index



Sources: Hoare Govett and Datastream

It might seem absurd to talk about euphoria when much of the country is still mired in gloom. But, for many of the people in the City, the good times are back. The markets are rising almost everywhere, new people are being hired.

It becomes psychologically harder each day to see the glass as half-empty rather than half-full. That helps explain why the stock market has continued to set new highs. The FT-SE 100 closed yesterday at 3199 up 10.7, a rise of 61.4 on the week.

A classic example of the half-full glass came on Tuesday when the Bank of England announced there would be no gilt auction in November. The market interpreted this as a sign that the funding pressures on the government had eased and that there might not need to be an auction in December, either. The yield on 10-year

gilt fell; by Wednesday it was below 6% per cent.

Yet, figures published only the day before had re-emphasised the government's financial straits. The public sector borrowing requirement for September was \$5.88bn; quarterly borrowing is 40 per cent higher than a year ago.

The scale of the public sector deficit was a central theme of the "Green Budget" published by Goldman Sachs and the Institute of Fiscal Studies on Tuesday. The PSBR today is no higher, as a percentage of GDP, than it was in the mid-1970s but there are two reasons to find it more worrying.

First, much of the 1970s' PSBR was made up of the losses of nationalised industries. Those losses have gone, leaving a much bigger deficit for the government itself.

Second, because so much of the national debt was paid off in the 1980s, the burden of interest payments is much lower than it was in the mid-1970s; so the "primary deficit," the heart of the government's borrowing, is over 4 per cent of GDP, a spectacularly high level.

Still, if the economy performs as the Green Budget authors expect, government borrowing will be down to manageable levels by 1997-98. That means that Kenneth Clarke, the chancellor, could probably squeak by without increasing taxes.

They recommend, however, some modest tax-raising, partly to allow tighter fiscal policy to be offset by easier money. This is a course the markets clearly expect, especially after this week's half-point cut in German interest rates which takes the Bundesbank's discount rate (the floor of the "tunnel"

within which actual market rates are set) below UK base rates.

In pricing all this into stock and bond prices, the market is acting perfectly sensibly. These are, after all, the most likely outcomes. But what if the glass is actually half empty and recession abroad continues to hold down economic growth, pushing up government borrowing?

After all, the lowest of the Green Budget's three forecasts for GDP growth over the next five years, a not-entirely-gloomy 1.7 per cent, yields a PSBR that actually goes up, rather than down. That is almost certainly not reflected in current prices.

The Green Budget also points out that stopping tax-exempt investors, such as pension funds, reclaiming the advance corporation tax paid by companies on their dividends would raise the tempting sum of £3bn without any individual taxpayer noticing.

After all, the amount of tax reclaimable was cut, in effect, in the spring Budget, yet there were no rallies of actuaries at Central Hall.

The stock market most certainly would notice, though. Such a change would cut sharply the after-tax return on equities for tax-exempt investors. That would encourage them to shift the balance of their portfolios away from equities, leading, on some estimates, to a 10-15 per cent fall in share prices.

On balance, it is not very likely. But, it is a possibility - one that, in its present mood, the market is happy to ignore. Which is where we came in. As with emerging markets, the mood is what counts.

Serious Money

# The bulls among the fund groups

By Philip Coggan, personal finance editor

NEVER MIND the new funds which investment managers keep advertising in newspaper and mailshots. Would it be better for investors to buy shares in the fund management groups themselves?

The question is given particular topicality by the forthcoming offer of a 25 per cent stake in Gartmore, the fund management group owned by Banque Indosuez. But it is also prompted by investment conditions, which are bringing fund management groups a double benefit.

First of all, world stock markets are reaching all-time highs. Secondly, low interest rates are persuading private investors to switch out of the building society and into equity-based products such as unit and investment trusts.

Both factors serve to increase the level of funds under management, on which the managers' fees are based. Better still, the two elements are mutually reinforcing. The surge of private investor money is helping to push the stock market to new heights, and the sight of higher share prices is encouraging more investors to enter the market.

It is an old maxim that it costs no more to manage £150m of funds than it does to manage £100m. Once a fund management group has covered its fixed costs (office space, computers, salaries and so on), any increase in revenue goes straight through to the bottom line. Conversely, a fall in funds can have a disproportionate effect on profits.

Accordingly, as Graeme Caton, of James Capel, puts it, "fund management group shares are highly geared to world stock markets." So if you believe that stock markets will continue to enjoy their bullish run, and that the low-inflation, low-interest-rate scenario will continue, fund management group shares might, on the sur-

face, seem a highly attractive investment.

Looking at the US, one can see the phenomenal amounts of money which can be shifted into collective funds, once investors decide to make the move. In 1980, only 6 per cent of US investors owned mutual funds; today it is 37 per cent. Leading US group Fidelity had \$20bn under management 10 years ago; it now has \$220bn. Rival Vanguard has grown from \$7bn to \$114bn over the same period. US investors have been placing around \$1bn a day into mutual funds (the American equivalent of unit trusts) this year, in response to low interest rates.

While UK investment flows will never match the absolute levels of those in the US, an equivalent shift in British investors' portfolios would have an enormous impact on the profits of UK fund management groups. Traditionally, the average Briton has been happy to keep savings in building societies, which have a much better reputation than the US savings and loans institutions. Just 4 per cent of UK investors own unit trusts.

As ever, there are no free lunches. The markets have already taken into account the bull factors for fund management group shares and have reacted accordingly. M & G shares, for example, passed the £10 a share mark yesterday, around 50 per cent up from their low for the year. Perpetual shares have now climbed to 80p, compared with 142p a year ago.

The ratings accorded to some of these companies are discounting a lot of future growth. Perpetual's shares are now trading on a historic p/e of 64; Aberdeen Trust shares are on a p/e of 38. On the other hand, the last time that Perpetual announced results (in May), interim pre-tax profits had more than doubled from £2.18m to £5.09m, on the back of a climb in funds under man-

agement from £848m to £1.34bn. Funds have since risen to £2bn thanks to the host of performance awards Perpetual received at the end of 1992, which have made it a prime choice for IFAs and retail investors in 1993.

Perpetual represents one of the purest plays on the growth in retail funds in the UK fund management sector. Other companies, such as Mercury Asset Management, depend to a much greater extent on managing pension fund money. While this rises in line with markets, it is a mature industry, with improving market share the best way of increasing funds under management.

Pension fund management is also a much lower margin business than managing unit or investment trusts - which is one reason why a group such as MAM trades on a much lower multiple (around 17) than Perpetual. (Another factor, of course, is Mercury's much greater size; it cannot grow as fast as Perpetual.)

Around 77 per cent of Gartmore's assets under management are pension funds. However, its strong recent performance record means it is gaining new pension clients and since it already manages around £2bn of unit and investment trusts, it should benefit from the private investor effect.

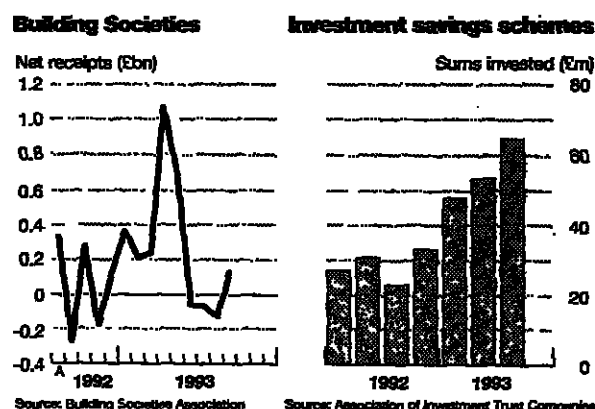
Graeme Caton, of James Capel, thinks Gartmore shares will "probably be floated on a small p/e premium to MAM, and there will be no difficulty in selling them."

The bull arguments could be easily undermined, by one thing: a bear market. Although there is good reason to expect that low interest rates may be here for a while, the high ratings mean that fund management shares must be vulnerable to a correction. So if you are already nervous about the market's dizzy heights, fund management shares are definitely not for you.

## HIGHLIGHTS OF THE WEEK

	Price	Change	1993	1993	
	YTD	on week	High	Low	
FT-SE 100 Index	3199.0	+78.2	3199.0	2737.6	European rate cuts
Body Shop Int'l	215	+18	227	133	Brokers positive after results
Commercial Union	653	+25	667	558	Smith New Court positive
Glaxo	715 1/4	+48 1/2	801	509	Yield attraction
Granada	477	-18	498	341	Goldman Sachs negative
Nest	199 1/4	+6 1/2	212	139 1/2	Stores strong on rate cut hopes
Parkland Textile A	226	+58	234	69	Share changes/profits recovery
RMC	837	+31	840	555	German rate cut
Rank Organisation	820	-25	847	636	Debt worries
Roithmans B	625 1/2	+12 1/2	743	584 1/2	Income fund buying
Smith (WH) A	479	+18	498	400	Share restructuring hopes
SmithKline Beecham A	448	+45	513	388	Strong drugs sector
Smiths Industries	399	+43	400	320	Bumper figures
Tesco	216	+13	273	189	Food retailers rally
Wellcome	845 1/2	+89 1/2	983	600	Good test results

## AT A GLANCE



## Building societies record net inflow of funds

Building societies recorded a net inflow of funds in September, for the first time since May. The societies cited an absence of negative factors, rather than any positive news, for the turnaround. Summer outflows had been caused by the holiday season, August spending on L-registration cars and the BT3 share issue. As the graph shows, the £124m inflow in September was still well below the figures being recorded in the first five months of the year. The societies said that competition from other savings media, such as unit trusts, was still tough.

## Investment trust record

Investment trust savings schemes attracted a record £54.46m during the third quarter of 1993, compared with £53.89m in the previous three months. Money invested in savings schemes in 1993 has already outstripped the full year figure for 1992. The number of regular savings accounts increased from 62,831 to 64,542, and the average monthly sum invested rose from £75 to £82.

## Halifax negative equity plan

Halifax building society is launching a new scheme to help existing customers with negative equity to move house. The scheme will allow borrowers who meet certain conditions to carry forward any shortfall on selling their property, and at the same time take out a 100 per cent mortgage on a new property. A maximum of £25,000 negative equity can be carried forward, as long as the total new mortgage does not exceed 125 per cent of the value of the new property. Interest on the element will be charged at prevailing rates but will not be eligible for tax relief.

## Interest rate ignorance

Credit card holders are largely unaware of the interest rates they pay, according to a survey from Save & Prosper, which recently launched a low-rate card. Nearly 70 per cent did not know the rate charged on their card, and only 15 per cent guessed in the correct range of 22-25 per cent. The survey found that around 37 per cent of card holders do not pay off their balance in full each month. New GIM card, page IV.

## Amnesty's affinity credit card

Amnesty International, the human rights campaigning charity, is launching an affinity credit card with the Co-operative Bank. For every account opened, the bank will pay Amnesty £5, and for every £100 spent on the card the charity will receive 20p. The Visa card will be free of an annual charge for life, like other Co-op cards.

## Smaller companies rise

Although this week marked the 50th anniversary of Black Monday, small company shares continued their serene upward path. The Hoare Govett Small Companies Index (capital gains version) rose 0.9 per cent from 1597.35 to 1611.95 over the seven days to October 22.

SHARES IN Virtuality Group, which makes computer software simulating virtual reality, leapt to an 82 per cent premium when they started trading on Tuesday - making the launch one of the most successful as well as intriguing of the recent wave of new issues.

Supported by a rising market, most of this year's new issues are now trading at a healthy premium to their flotation price. However, private investors would be unwise to conclude that all new issues are therefore a safe bet.

There were several unusual features about the Virtuality issue, which sought to raise £9.45m for new product development. Institutions from all over the world expressed interest in the company, which uses headsets and software to generate a three-dimensional world - or virtual reality - with which people can interact.

John Gregory, of the stockbroker Beeson Gregory, said the issue was also unusual in the degree of genuine press interest in company and its founder, Jonathan Walden, 33, who started the company in

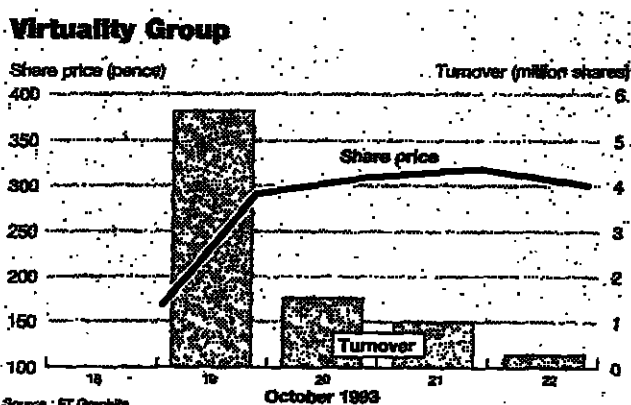
the garage of his Leicester home in 1987.

Because the flotation aimed to raise only a modest amount, most of the shares went to fund managers. About 80 institutions received a total of 5.9m shares, but this number fell sharply amid heavy turnover as they booked a quick profit and sold to the hundreds of private investors keen for a piece of the action.

Offering what might prove to be the technology of the future has obvious attractions. Doring Kindersley, which publishes highly-illustrated reference books, has seen the price of its shares more than double since it was floated last October. This is partly because the company has a stake in another futuristic area, multimedia, which combines CD and computer technology.

Picking the right technology is not the whole story, how-

ever. Video cassette recorders have transformed how we use television, but Philips and even the mighty Sony both lost out in the battle over which format would dominate the global market. Virtuality has impressive shareholders in the shape of IBM and Motorola, yet even



after this week it still only has a market capitalisation of £79m, making it in a very small player indeed.

The fact that Virtuality is still making losses also made it an unusual sort of flotation candidate. One attraction of new issues to institutions in

## The Bottom Line

# Reality of new issues fashion

the current market is that most of the companies coming to market have a track record and plausible story to tell, which have been checked by their advisers. So long as the shares are not greedily priced, they therefore present a fairly safe bet for the fund managers.

Prices are normally set at a level which give the company's backers a modest initial premium, often because the companies want to attract and maintain the long-term support of the institutions. Two engineering groups which floated this year, David Brown Group and Quadramatic, have already come back to the market to raise money for acquisitions.

Gregory says most flotations will be oversubscribed, if they are priced correctly. But even a good company can be shunned if the advisers are too ambitious: "It's almost always feast or famine."

Stock market fashion can also be crucial. Shares in JD Wetherspoon, the London pub chain, have more than doubled since flotation last October. They might have been thought to attract strong interest from the public then, but the intermediaries' portion was only 79.4 per cent subscribed, leaving the rest of the shares with the institutions. The flotation just missed last year's pre-Christmas rise in the market.

Beeson Gregory placed about 26 per cent of the available Virtuality shares with private-client stockbrokers. It is keen to increase the involvement of private investors in new issues, perhaps by some sort of tendering arrangement.

New issues can thus offer investment opportunities, but institutions are on the inside track. Private investors who are interested in a particular flotation should check market opinion of the pricing.

Above all, they should not be extrapolate too much from the performance of unusual companies such as Virtuality in a bull market.

Andrew Bolger

## CURRENCY RATES

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\* Data Source - British Business Survey 1993



FINANCE AND THE FAMILY

**S**TOCK MARKETS in Europe have been powering ahead recently. Germany and Switzerland set records this week while others responded well to news on Thursday of the Bundesbank's interest rate cuts. But it is too late for small investors to join the European bandwagon, or is there still plenty of growth to come?

Fund managers surveyed are unanimous in their optimism for Europe's stock markets generally. The consensus is that while there is little prospect of real growth in economies or corporate earnings until late 1994 or 1995, the markets will be driven by investors switching into equities as a result of interest rate cuts.

Patricia Maxwell-Arnot, manager of the Lazard European Growth Fund, says: "I basically believe that European equity markets are supported by two things: bond yields have fallen substantially and may still go down further, and interest rates, whichever way you look at it, are inevitably going to fall."

"Local investors are starting to look more favourably at equities. As yields decline, it is the natural instinct to look first for shares with a high yield, and then at the market generally. Really, what we are talking about in Europe is a weight of money story, and I don't think that is going to change. People argue that valuations are very high, but you can go quite a long way on the weight of money before fundamentals, in terms of P/E ratios, begin to create much difficulty. It is difficult not to be optimistic."

Anthony Bolton, manager of Fidelity's flagship European fund, also has longer-term reasons for his positive view of Europe. He feels there is still significant under-ownership of shares by domestic individuals and institutions in many nations.

"Quite a lot of countries in Europe have got big budget deficits and are desperately looking for ways to cut expenditure," he says. "They have ageing populations and are trying to shift the pension fund expenditure from the state to private hands, whether by encouraging funded schemes or private pension schemes. That creates new equity investors."

Bolton also sees the large privatisation programmes under way in Italy and France



## Europe's bright future

Bethan Hutton finds analysts optimistic about market trends

as stimulating investor demand, rather than depressing the markets.

Although there is general consensus among fund managers on the big picture, views differ when it comes to which markets are likely to provide the best performance.

Germany has experienced spectacular stock market performance over the past few weeks but UK fund managers are not rushing in. "I do not like Germany, I think it is overpriced," says Talal Shakerchi, who manages Providence Capital's European trust. "I would prefer to be in other European markets."

Lorna Harnby, one of the team managing the Fleming Continental European investment trust, agrees: "In Germany, we are still underweight because the effect of low interest rates on the German market is much less marked than elsewhere. We are finding restructuring stories in Germany - the classic example is Volkswagen. In the absence of

growth, we are making sure we are investing in companies which are restructuring; they will emerge at the other end leaner and fitter."

France has been popular for some time. Harnby says: "We are very positive there. We are very overweight in the French market, basically because we think they have got the furthest to fall."

Some investors' enthusiasm is wearing thin, though. "I think the problem in France is really that although companies have depressed earnings, their stock prices have generally not fallen as much as in some other countries," says Shakerchi. "Companies tend to have very international earnings - the Swiss have been very good at developing exposure to emerging markets, with operations in South America and the smaller Asian countries."

Switzerland offers a slightly different investment climate. "It is perhaps a market all on its own," says Shakerchi. "Companies tend to have very international earnings - the Swiss have been very good at developing exposure to emerging markets, with operations in South America and the smaller Asian countries."

Those areas are growing like mad. It is really quite a different story to the rest of Europe, but it is still an attractive story."

Maxwell-Arnot is also a fan. "We have been big bulls of Switzerland. Swiss financial shares are relatively underpriced - we have had quite a good run in insurance and in banks."

Scandinavia is popular with most of the managers. Shakerchi sees markets there as offering the best value, along with Switzerland. "Certainly, many stocks in those markets are well below historic highs. At the end of last year, I was finding a lot of cheap stocks in Scandinavia, he says. If you are looking at the core ERM countries, I think Denmark is perhaps the most attractive."

Maxwell-Arnot: "Unfortunately, we have been consistently wrong on Scandinavia. I just find the whole market very expensive and, personally, I always try to limit the down-

side risk by buying things which are cheaply valued. In my view, Sweden is not cheaply valued and the other markets are pretty small."

Italy attracts mixed feelings. Shakerchi: "The stocks are often very volatile there. They can move up and down by very large percentages, and it is not always apparent why they have done that. What we have tended to do in Italy is just buy a few stocks where we think the long term prospects are very good."

Harnby is also cautious. "We are neutrally weighted in Italy; there is a very high political risk; and because that is not something you can apply any logic to, we don't want to be anything more than neutral."

Maxwell-Arnot is more positive. "I do believe they have got their act together in terms of reducing their public sector deficit. If you look over a year, I think the market could be one with the most favourable environment and the best chance of revaluations."

## Investment trust option for Lloyds

Richard Lapper on a limited liability choice

**P**ivate investors are being offered the chance to put money into an entirely new kind of investment vehicle - the Lloyd's investment trust. In the wake of this week's vote by Lloyd's Names in favour of plans to admit "corporate members", merchant banks and securities houses are pressing ahead with plans to raise more than £1.25bn in money for 16 investment trusts.

Although the structure of each of the trusts differs, the idea behind them is relatively simple. They will direct the money they raise into a portfolio of shares and bonds, in much the same way as with any other investment trust. At the same time, however, their capital will be used to support Lloyd's syndicates.

If things go well, investors - like Lloyd's Names - can expect to earn a return both from investments and from underwriting. Syndicates can underwrite £2 in premium income for every £1 of capital, so the underwriting return alone could be very attractive. A 10 per cent return on underwriting would become a 20 per cent profit for the investor.

By 1997, when the Lloyd's trusts report their first underwriting results - in line with Lloyd's three year accounting system - their dividends will include both investment and underwriting returns.

Unlike Lloyd's Names, the new trusts will have limited liability for losses; investors are only liable to lose the amount of capital they have committed. However, just as the potential returns are highly "geared", so are the risks. If underwriting syndicates lose money, investors will also suffer from a sharp fall in their income from investments as their capital is used to pay insurance losses.

The recent record reveals that this risk is very real. Lloyd's has lost more than \$20m since 1988 and specialises in insuring higher risks such as aircraft, energy installations

and natural catastrophes, which can produce large claims and volatile results for underwriters.

Advocates for the new schemes argue, however, that profitability is returning as syndicates cut their costs and increase their rates. They argue that some syndicates have made attractive profits even over the last five years, and that over the longer-term, Lloyd's has proved to be more profitable than insurance companies specialising in lower risks like cars and houses.

Chris Hitchens, analyst with UBS Global Research, calculates that between 1980 and 1989, Lloyd's syndicates were nearly twice as profitable as insurance companies, with

agencies).

Michael Wade, chief executive of CLM, says that agency links can lead to conflicts of interest. If a managing agent had links to an investment trust, he might persuade it to continue supporting his syndicate, even if it was performing poorly, for example. Wade says fund managers should have freedom to transfer their support to syndicates capable of earning the best returns for shareholders.

Funds which are linked to members' agents may also have potential conflicts of interest. If a syndicate has a shortage of space, a members' agent would be likely to make the interests of its own Names a priority.

Michael Carpenter, finance director of the London Insurance Market Investment Trust (LIMIT), says: "In the present market environment, schemes relying on members' agents have a conflict between their individual Names and corporate members." LIMIT, which aims to raise £200m to support 98 syndicates, is jointly sponsored by Samuel Montagu and James Capel.

Another scheme which has no agency links is New London Capital, sponsored by SG Warburg, and advised by Chartwell Re, the third largest fund formed to date, while the Johnson Fry Corporate Insurance Recovery Fund avoids the issue by buying the shares of a range of Lloyd's trusts.

On the other hand, many smaller trusts have established close relationships with agents. Supporters of these schemes argue that these links should give investors improved access to better performing syndicates. Examples include Angerstein Underwriting Trust, Finsbury Underwriting Investment Trust, Delian Lloyd's Select Insurance Fund, Bronek Masojada, managing director of Hiscox, says: "It would be foolish to deny the conflict, but our scheme brings investors increased access and better market intelligence."

**Investors are only liable to lose the amount of capital committed**

annual profits equal to 5.7 per cent of premiums, compared to 3 per cent for the companies.

So how should investors decide between the trusts on offer? The trusts differ in size (ranging from £200m to just £20m); their approach to investments (with some managers favouring a higher exposure to equities and others a higher exposure to gilts); and their approach to syndicates (some favour a broader spread of syndicates, while others are more narrowly focused on certain syndicates or sectors). In addition they have different relationships with the Lloyd's agents that have traditionally controlled access to syndicates.

CLM Insurance Fund, sponsored by Barclays de Zoete Wedd, aims to raise up to £200m. It has no direct links with either members' agents (which have traditionally handled the affairs of Names), managing agents (which administer syndicates) or combined agencies (which own both managing and members'

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## FINANCE AND THE FAMILY

# Now, it's the motor card

Alison Smith reports on a new initiative from Vauxhall

THE LAUNCH by Vauxhall Motors this week of a British version of the GM credit card available in the United States, means that the motor card has arrived in the UK. The GM card aims to compete with the established credit cards both on basic price and through added benefits from frequent use.

Using the general purpose card - available at the customer's choice as either a Visa or MasterCard - earns points towards a discount on buying a new Vauxhall vehicle. Five per cent of the value of any transaction on the card counts as a rebate on a car, up to a maximum of £500 worth of discount points in a year.

Points can be accumulated for up to five years but can be "spent" at any time after the first monthly statement. The greatest available reduction on a car or van would be £2,500, but this could be achieved only by having spent at least £10,000 through the GM card each year for five years. This is considerably higher than the average spent on a credit card in a year. But points will be transferable within an immediate family - for example, to a spouse, daughter or son - so increasing the prospects of accumulating a more substantial amount.

Vauxhall says the rebate points will not affect any saving from other promotions or incentives: nor need they inhibit any individual car buyer's ability to haggle with the dealer. Anyone wanting to use the GM card points towards a Vauxhall need not reveal that until after a price has been

agreed. Meanwhile, a special scheme is to be set up in April next year to cater for company car drivers, too.

While Vauxhall obviously would prefer company car drivers to use discount points to buy a Vauxhall as a second car, those who do not want to do so will be able to use the points they acquire as vouchers for high street goods and services. The co-operating hotels, shops and restaurants have yet to be named.

A balance transferred from another credit card will also qualify for the discount points, at the same 5 per cent rate that a purchase would do. With the GM card itself not available until January, this offers a way of acquiring points in money spent through any credit card in the run-up to Christmas.

The Vauxhall GM card will

not carry an annual fee and has an annualised percentage rate of interest of 19.9 per cent. This compares with 22.9 per cent at Barclaycard and 23.9 per cent at National Westminster bank. Most card issuers now charge an annual fee of £10-12.

HFC bank, which will be handling administration of the card, says its credit-scoring will be in line with general market practice. It does not guarantee, however, that it will match the credit limits offered by the established cards. At some point, the card could also entitle the holder to a discount on other goods and services: Vauxhall is looking hard at taking on corporate partners, but does not necessarily expect to have arrangements in place for the first day of the venture.

# Warnings on housing scheme

A BUSINESS expansion scheme called Housing the Homeless, which says it aims to offer accommodation in the East Anglian area, has sparked warnings from other parts of the BES industry.

The Peabody Trust, which has launched a string of successful house-the-homeless BES companies in association with Downing Corporate Finance, has said in a statement that neither body has any relationship with the new BES.

The Allenbridge Group, publishers of Best BES Advice, adds in its latest bulletin: "We have a number of very serious concerns about this issue, and would advise extreme caution."

"We are principally concerned that the option agreement prejudices the tax qualifying status. Moreover, we have seen no financial information on the guarantor whatsoever. Be careful."

The Investment Analysis bulletin, published by the British Taxpayers Association, says of the new scheme: "The prospectus makes a number of claims... We are not convinced... these claims will be met. Furthermore, numerous inconsistencies appear in the documentation. Avoid."

The "helpline" telephone number for the BES was regularly engaged yesterday. Accountant Moore Rowland is warning investors not to make hasty decisions on any investment as the demise of the BES in December approaches.

Partner Robin Stevens says: "With the scheme coming to an end, there is bound

to be considerable interest in the final period. But it would be a big mistake to jump at anything offered - careful consideration is needed."

The present round of BES companies, which have arranged exits and cash backing, are very different from the early ones which were highly risky, small start-up companies. Johnson Fry, sponsor of a large number of issues in the late 1980s, has been criticised for the number of its companies which went bust. Problems

Bethan Hutton looks  
at the latest batch  
of BES offerings

have emerged recently at Quality Coaching Inns and on the Phantom and Fast BES issues.

Chairman Charles Fry says that of 100 old-style BES issues up to January 1992, 28 per cent failed, accounting for 25.6 per cent of the money raised. He says, however, that this is a lower proportion than might be expected for similar venture capital schemes, and the risks were made clear at the time.

Johnson Fry is still active in the BES market and this week sees the launch of another housing-the-homeless scheme, the Twelfth Johnson Super Growth. It is a £5m, contracted-exit, assured tenancy

scheme from Acton Housing Association, in association with the London Borough of Harrow, and offers an exit price of 121p after five years - equivalent to 13.93 per cent net for higher rate taxpayers. But the scheme is not cash-backed.

The Countrywide Rentals Second Growth Scheme is another Johnson Fry BES, backed by the Leeds & Holbeck building society, which aims to raise £7m to buy mostly repossessed residential properties from the L&H.

It offers higher-rate tax-paying investors a return of 13.51 per cent net via a non-status, non-recourse loan at 117p per share (assuming subscription at 99p before November 15) after the end of the five-year period. It also offers investors 50 per cent of any extra gains if property prices rise substantially.

BESSA North of England is a contracted-exit scheme with an FT-SE option from Close Brothers and the North of England building society. It aims to raise £1m to buy residential properties, to be let on assured tenancies. Investors can choose between a fixed return of 120p a share or a Footsie investment with a lock-in once the index has grown by 24 per cent - or a combination of the two.

Warwickshire Select is an assured tenancy scheme, involving two companies, from Berkeley Fund Managers. There is no arranged exit, but the managers say their aim is to ensure investors receive at least £1.50 a share after six years.

# Govett offers a 7% yield

A NEW international investment trust, with a yield of 7 per cent paid quarterly, is being launched by fund management group John Govett. It will invest in an unusual mix of UK equities, high-yielding international bonds and emerging markets.

The aim of the Govett High Income investment trust will be to give investors a high and steadily rising income with the potential for long term capital growth. The bulk of the income will come from the bond portfolio, which will buy government bonds in developed countries such as Italy and Spain but also in such emerging markets as South Africa, Mexico and Turkey.

Yields on Turkish government bonds are around 81 per cent, so obviously this is a high risk area. But Govett argues that emerging market debt should benefit from the same factors that have caused so many to buy emerging market equities.

Economic liberalisation and increased capital inflows will improve the credit rating of emerging countries and encourage them to adopt anti-inflation policies. Therefore, says Govett, the risk premium on the debt of these countries will contract, giving investors above-average returns.

Philip Coggan

### The week ahead

BET, the business services group in the latter stages of a three-year restructuring, is expected to report interim pre-tax profits of about £68m on Monday. The figures could include some profits on disposal, although the group has been selling businesses on modest valuations. Now the group is better managed, cash is being generated and its balance sheet is under control, investors will focus on whether it has formulated a plan to inject some more excitement into its portfolio of businesses - a necessary step if it is to approach the rating enjoyed by the likes of rival Hays.

Wellcome, the pharmaceuticals group, reports full-year results on Thursday. Analysts expect pre-tax profits to come in at between £640m and £690m, compared with £504m

last year. The company will benefit substantially from favourable exchange rates, so attention will be focused on underlying sales growth. Of particular interest will be the progress of Zovirax, the best-selling shingles and herpes treatment. The impact of an unfavourable clinical trial on sales of AZT, the HIV treatment, will also be followed closely.

Imperial Chemical Industries, the UK's largest chemical group, reports third-quarter results on Thursday and pre-tax profits of between £55m and £70m are expected despite a difficult three months.

Demand on the Continent was slow during August, and recovery in the UK and US has been hesitant. The scale of the post-holiday pick-up in September will be important.

### TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid £m	Market price £m	Price before bid £m	Value of bid £m	Bidder
AS Consulting	54	51	40	5.89	WSP
Assoc Fisheries	10955	101	124	8.795	Union Park
Bennett & Fountain	2	25	4	2.10	Marlowe
British Syphon	87	65	85	32.84	Greystone
P-E Int'l	72	72	65	15.75	Gray Elect
Walla Stiles	4205	425	391	87.55	Sibelo
Whitbread Inv Co	749	748	690	472.62	Whitbread

All cash offers. Value of bid based on 200p share. Offer capital not already held. 2 Unconditional. Based on 2.30 on prices 22/10/93. 599 shares and cash. Value of bid based on remaining 50% of shares. Value of bid based on remaining 25% of shares. 2 Figures all quoted in this currency.

### PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit £000	Dividend per share p	Dividend per share p
Al London Intern.	BSE	Jul	726	(1,050)	5.8
Bennett & Fountain	BSE	Jun	5,920	(1,050)	14.2
Bennett & Fountain	BSE	Jun	2,510	(1,050)	15.1
Cowles Chapman	BSE	Jun	1,510	(1,050)	15.1
Cowles Chapman	BSE	Jun	1,510	(1,050)	15.1
Smart	BSE	Apr	155	(1,050)	0.44
Five Oaks Invest.	BSE	Apr	851	(1,050)	1
Fisher (Albert)	BSE	Aug	31,500	(2,500)	2.49
Gleeson (M)	BSE	Jun	9,200	(1,050)	57.4
WMC Industries	BSE	Apr	377	(1,050)	0.17
United Invest.	BSE	Apr	2,900	(1,050)	9.45
McKee	BSE	Jun	24,500	(2,400)	21.4
MY Holdings	BSE	Aug	2,610	(2,280)	3.81
Peterson Zacharia	BSE	May	26,600	(2,200)	35.85
Sentinel Industries	BSE	Jul	104,400	(102,200)	23.9
UDH Holdings	BSE	Jul	3,730	(5,710)	6.68
Whitney Mackay-Law	BSE	Apr	950	(1,050)	1
Widley	BSE	Apr	121,000	(1,300)	33.6

### INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit £000	Dividend per share p	Dividend per share p
Abstract New Thelaw	BSE	Aug	98	(128)	1
Aldor Sturgeon	BSE	Aug	494	(800)	1.0
Alexander Workwear	BSE	Aug	2,010	(872)	2.1
Acasys	BSE	Jun	1,780	(2,380)	1
Baile	BSE	Jun	9	(70)	1
Berry Birch & Noble	BSE	Jun	460	(518)	2.1
Boat Henry	BSE	Jun	2,350	(2,710)	1.7
B&A America Film	BSE	Jun	618	(608)	4.25
Brooks Service	BSE	Jun	57	(104)	1
Bright (A)	BSE	Jul	280	(80)	1
Coates Cycles	BSE	Jul	837	(877)	4.5
Craig & Rose	BSE	Jun	135	(134)	2.0
Chatterfield Props	BSE	Jun	7,810	(8,400)	4.0
Devonport Kilmear	BSE	Jun	607	(374)	2.0
Edinburgh Inv. Trust	BSE	Sep	19,900	(17,000)	2.95
Edinburgh Inv. Trust	BSE	Sep	343	(320)	6.0
Ferguson Internat.	BSE	Jun	5,240	(4,700)	4.25
Ferron Group	BSE	Jun	61	(241)	1
Fleming Income & Cap	BSE	Jun	3,190	(4,240)	2.0
Forward Technology	BSE	Jun	357	(374)	1
Forward Technology	BSE	Jun	1,280	(530)	1
Govett Oriental Inv.	BSE	Jun	2,740	(2,610)	0.4
Hawthorn Europe	BSE	Jun	505	(1,000)	1
Hawthorn Europe	BSE	Jun	505	(1,000)	1
James & Sons	BSE	Jun	630	(1,720)	1
James & Sons	BSE	Jun	25	(70)	0.2
London Atlantic	BSE	Jun	923	(820)	0.78
London & Metropoli	BSE	Jun	3,450	(4,440)	1
New Throgmorton Tel.	BSE	Jun	1,080	(1,180)	3.0
Parkland Textile	BSE	Jun	970	(508)	1
Real Estate	BSE	Jun	177	(1,700)	1
RT Capital Partners	BSE	Jun	4,400	(1,300)	1
River & Merc. General	BSE	Jun	708	(570)	1.4
Safeland	BSE	Jun	345	(308)	0.8
Saw & ProLink Inv	BSE	Jun	1,240	(2,220)	19.8
Saw & ProLink Inv	BSE	Jun	1,240	(2,220)	19.8
Seaford Beachcom	BSE	Jun	201,000	(21,000)	2,333
St James Place	BSE	Jun	14,100	(7,000)	1.5
Verdun Inv. Trust	BSE	Jun	142	(134)	1.56
Wesley Management	BSE	Jun	38,300	(40,100)	1
Wesley Management	BSE	Jun	185	(187)	1
Wesman Company	BSE	Jun	1,480	(1,370)	0.825
Yorkville	BSE	Jun	1,480	(1,370)	2.2

Figures in parentheses are for the corresponding period. Dividends are shown net of tax, except where otherwise indicated. Losses: 1 Net asset value per share, 2 Figures in this column are pence, 3 Figures in US Dollars and cents, 4 Figures for 20 weeks, 5 nine month figures, 6 Not revenue.

### RIGHTS ISSUES

British Channel Ship Repairs to raise £11m via a rights issue.  
Furness Group is to raise £27.12m via a 1 for 2 rights issue.  
Frost Group is to raise £21.3m via a 1 for 5 rights issue of 11.7m shares at 187p.  
Salsford is to raise £1.5m via a 1 for 3 undervalued rights issue.  
Trafalgar House is to raise £200m.

### OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Anglo is to raise £81.2m via an open offer of 231m shares at 20p and the remainder via a preferential share offer.  
Formet Group is to raise £418,995 via a subscription of 187,44m shares.  
Pacton is to raise £50m.

### RESULTS DUE

Company	Sector	Announcement date	Last year Int.	This year Int.
ABN Design Group	Med	Friday	-	-
Bentley Group	Prop	Friday	-	-
British Assets Trust	BSE	Friday	-	-
Broadgate Investment Trust	BSE	Friday	-	-
Flourishing Japanese Inv Trust	BSE	Wednesday	-	0.35
Forward Income Inv Trust	BSE	Friday	2,825	1.5
Govett Strategic Inv Trust	BSE	Tuesday	2.85	4.1
High Point	Prop	Friday	1.3	2.05
Investors Capital	BSE	Thursday	1,275	2.0
Majestic Investments	BSE	Thursday	2.5	7.0
Murray Spelt Capital Trust	BSE	Thursday	0.8	2.0
Overseas Investment Trust	BSE	Thursday	0.75	1.85
Preston Holdings	BSE	Thursday	1.1	1.2
Scottish National Trust	BSE	Friday	1.1	1.3
Wesley Management	BSE	Thursday	4.0	4.8
Barbican Holdings	n/a	Wednesday	-	2.5
BEI	BSE	Monday	2.0	1.25
Beverly Group	BSE	Friday	-	-
Boles Lohme	BSE	Monday	-	-
WASS	BSE	Wednesday	0.75	1.5
British Property Trust	Prop	Tuesday	2.4	3.0
British Assets Trust	BSE	Thursday	1.04	1.07
Claydon Son & Company	BSE	Friday	-	-
Country Casuals	BSE	Thursday	-	2.7
Darby Group	BSE	Wednesday	-	-
Dorchester Group	BSE	Monday	-	-
EPD	BSE	Monday	-	-
Fairfax (M) & Sons	BSE	Friday	0.6	2.71
Fortune Of	BSE	Friday	1.5	0.5
German American Securities	BSE	Friday	1.0	1.0
GSE International	BSE	Tuesday	1.0	1.0
Gerrard & National	BSE	Thursday	6.0	15.5
Grand Central Inv Holdings	BSE	Friday	0.45	0.8
Hawthorn Europe	BSE	Thursday	34.5	10.5
Ivory & Stone	BSE	Thursday	1.75	4.75
Jarvis Investment	BSE	Monday	-	-
NEC Corp	BSE	Thursday	1.5	4.0
Neoprene	BSE	Thursday	-	-
Oliver Property	BSE	Friday	0.25	0.5
Ramco Oil Services	BSE	Thursday	1.5	1.0
Revere Estate Investments	BSE	Thursday	1.25	2.55
Scottish Mortgage & Trust	BSE	Friday	1.08	2.17
Securities Trust of Scotland	BSE	Friday	-	-
Shal Oil Co.	BSE	Wednesday	0.875	2.025
SIF Group	BSE	Wednesday	-	-
Tyre & Company	BSE	Wednesday	-	-

Dividends are shown net of tax, except where otherwise indicated. Losses: 1 Net asset value per share, 2 Figures in this column are pence, 3 Figures in US Dollars and cents, 4 Figures for 20 weeks, 5 nine month figures, 6 Not revenue.

# SIB changes rules

MODEST changes to the unit trust industry were proposed by the Securities and Investments Board, the UK's main regulator, this week, writes Philip Coggan. The main one is that funds will be allowed to charge exit fees when investors sell their holdings. Since such fees usually trail off over the years, this should benefit long term investors.

SIB did not, however, come down in favour of single pricing, the system used commonly outside the UK, and which is simpler for investors to understand. Many in the industry feel single pricing would penalise existing investors, since new ones would not always pay the full cost of creating units. The existing dual pricing system will be maintained, but open-ended investment companies, set to be introduced in 1995, will have just one price.



## FINANCE AND THE FAMILY

# Easing the pain of extractions

Bethan Hutton explains the advantages of dental plans that provide affordable private treatment

**N**EXT TIME you need a filling, your dentist might start to extol the merits of joining a dental plan. The idea is that all routine treatment is covered for a small monthly premium.

Adults - apart from those on low incomes or state benefits, who are exempt from charges - are obliged to pay 80 per cent of the NHS charge for all dental treatment, up to a maximum of £250. The state pays the rest, but standard NHS charges are far lower than the normal fees charged by dentists in private practice.

Last July, payment to dentists for NHS work was cut by 7 per cent. A growing number have responded by opting out of providing NHS cover for adult patients.

A survey by the British Dental Association in April found that only 57 per cent of dentists were taking on new adult NHS patients. In June 1992, the figure was 88 per cent.

There is considerable regional variation, with dentists in London and the south being least likely to take on

new NHS patients although the majority will still accept children and charge-exempt adults. A smaller number, about 20 per cent, are not continuing to offer NHS treatment to patients registered with them.

Accordingly, there is a rapidly expanding market for dental plans which allow patients to pay a regular, affordable amount for private treatment, rather than being faced with a big bill when the dentist does the work.

They also give dentists a regular, reliable income and make it cost-effective for them to concentrate on preventive treatment rather than relying on expensive repair and cosmetic work to make a living - or even being tempted to carry out unnecessary work.

Although such schemes sometimes are referred to as "dental insurance," the core element of most is not insurance but capitation - a charge per patient for providing services which, effectively, spreads costs across time and a group of patients.

Most, but not all, schemes also include an element of insurance, which covers emer-



gency treatment abroad and at home.

Unlike private medical insurance, these plans do not tend to be sold through advertising campaigns. Instead, patients are usually recruited by their own dentist when they go for a check-up or treatment.

Most schemes require that you should be in "good dental

health" when you join, which means that you have to finish and pay for any treatment in progress.

Some plans vary their charges according to your dentist's view of your dental history and the state of your teeth, while others have standard fees. The cost might also vary depending on where you live - dentists in London and other big cities generally charge more.

The broad range of costs is from £5 to £20 a month, with the majority of people paying less than £12. Some companies have a one-off registration fee when you join the scheme.

As with any insurance, you should make sure you know exactly what is covered before you sign up or you could end up having to find more money for unexpected treatment or extras.

For example, some schemes ask you to pay all or part of the laboratory costs involved

in making crowns and so on, or exclude wisdom tooth extraction or other more complicated procedures.

Some providers offer a range of plans from basic (covering just check-ups and general maintenance) to comprehensive (covering crowns, root canal work, wisdom teeth etc).

For those seeking such a scheme, here is a selection. ■ Denplan, the oldest and largest, has been going since 1896 and now has several hundred thousand subscribers. The standard plan covers normal treatment, with insurance for emergencies.

■ Bupa, the UK's largest private medical insurer, has just launched DentalCover in Bristol, Cardiff and Nottingham. It hopes to have enough registered dentists to cover the whole country by the end of 1994.

The plan covers crowns, bridges, dentures and root treatment in addition to rou-

time work, including the extraction of wisdom teeth under local anaesthetic. Patients can opt out of cover for major restorative work if they want to reduce premiums.

■ Complete Direct Care (CDC) has about 700 dentists around the UK and 40,000 patients signed up. It has three schemes: NHS Care, which reimburses NHS charges; Emergency Care, covering only accidents and emergencies; and Cost Care, the main scheme, which covers private treatment and accident and emergency insurance and is underwritten at Lloyd's.

■ Denture started with one dentist in 1986 but has been expanding rapidly for the past 18 months and now has 50 dentists signed up. It offers a choice of levels of cover, but no insurance element.

■ MIDA, an American company, has been operating in the UK since June last year. It offers three levels of cover, all including world-wide emergency cover.

There are many other schemes along similar lines involving small groups of dentists. Companies can also arrange cover for their employees. Corporate schemes are available from Cigna, CDC, Denplan and National Dental Plan, among others. A handful of private medical insurance schemes also cover dental treatment.

If you are happy with your dentist, you might just have to settle for whatever scheme he is offering, but practices can usually register with more than one scheme if they think it is worth-while. If your dentist is not offering a scheme, but you are interested in the idea, mention it at your next appointment.

## Debut for ethical trust

**F**RIENDS Provident is set to launch the first ethical investment trust, which will have a split capital structure and will be available in personal equity plan form.

Investments will go through two screening processes, one by the Ethical Investment Research Service (EIRS), the other by a committee of reference which includes such celebrities as Joanna Lumley. Companies will be chosen on such positive criteria as benefiting the local community, and rejected on negative grounds such as making arms or gambling.

Friends Provident already

runs £300m of money on an ethical basis, including three unit trusts and a managed pension fund. Do ethics prevent investors from making profits?

Not necessarily. The Friends Provident Stewardship fund is 25th out of 77 in the UK equity growth sector over the seven years to October 1, recording a return of 106 per cent (offer-to-bid with income re-invested; source: Hardwick Stafford Wright). The other two funds are not quite as successful: Stewardship Income is 80th out of 92 in the UK equity sector over the five years to October 1, with growth of 36 per cent; Stewardship North Amer-

ican is 64th out of 98 in its sector over the same period (with growth of 82 per cent).

The new trust will offer a mixture of ordinary and zero dividend preference shares, and will have a limited life. Full details of the issue will not be available until November. Broker Greig Middleton is looking to raise over £30m.

■ Edinburgh Investment Trust, the second largest in the industry, this week reported a 7.3 per cent rise in its net asset value per share over the six months to September 30 and a 3.5 per cent rise in its interim dividend.

Philip Coggan

## Permanent interest-bearing shares

**T**HOSE WHO bought permanent interest-bearing shares (PIBs) when they were first issued have had some healthy profits. As the table shows, all PIBs are trading above their issue prices; in the case of Leeds Permanent, the rise has been 50 per cent.

PIBs are fixed interest securities, issued by building societies, which pay income twice a

year. They offer a higher yield than gilts because of the greater risk; and Simon Moxley of Hoare Govett, which supplies the table, notes that the spread over gilts has widened during the past month.

A major risk is that, if a society collapses, those holding PIBs will be last to be paid back. Furthermore, in normal circumstances, PIBs will never

be repaid and there is no guarantee that investors will get back what they paid for an issue. On balance, the higher the PIB's yield, the riskier the society is deemed to be by the market.

Investors also should note that issues from some of the best known societies, such as the Halifax, come in £50,000 denominations.

PERMANENT INTEREST BEARING SHARES						
Stock	Coupon (gross %)	Minimum (£)	Issue date	Issue price (pence)	Price* (pence)	Yield* (gross, %)
Bradford & Bingley	13.00	10,000	30/9/91	100.20	141	9.22
Bradford & Bingley	11.63	10,000	29/8/92	100.13	128.25	9.06
Bristol & West	13.38	1,000	11/12/91	101.79	136	9.83
Bristol & West	13.38	1,000	31/10/91	100.34	136	9.83
Britannia (1st)	13.00	1,000	13/1/92	100.42	138	9.42
Britannia (2nd)	13.00	1,000	8/10/92	107.13	138	9.42
Cheltenham & Gloucester	11.75	50,000	21/10/92	100.98	128.75	9.13
Coventry	12.13	1,000	28/5/92	100.75	128.75	9.42
First National	11.75	10,000	4/5/93	100.25	115	10.22
Halifax	12.00	50,000	23/1/92	100.28	136.75	8.76
Halifax	8.75	50,000	07/9/93	100.615	101.5	8.82
Leeds Permanent	13.63	50,000	3/6/91	100.00	150	9.08
Leeds & Holbeck	13.38	1,000	31/3/92	100.23	138.25	9.67
Newcastle	12.63	1,000	8/9/92	100.45	134	9.42
Newcastle	10.75	1,000	15/6/93	100.32	115	9.35
North of England	12.63	1,000	23/6/92	100.14	132	9.56
Skipton	12.88	1,000	27/2/92	100.48	131.25	9.81

Source: Hoare Govett. \*Purchase price as at mid-day October 21; excludes accrued interest. \*Includes stamp duty payable on Coventry PIBs only.

## Directors' transactions

**E**ARLIER this year, Thomas Bullitt, chairman and chief executive of Automated Security, sold 200,000 shares at 157p. Five months later, director C.D. Buck also sold stock. Last week, the company gave a profits warning; however, Bullitt bought 250,000 shares at 101p and now holds more than 2m shares. The last time he bought was in March 1992, when the shares were trading around 80p, so there is a lot to be said for his sense of timing.

Hewden Stuart is a Scottish-based company involved in the hire and merchandising of construction equipment. Despite an optimistic statement at the announcement of interim results, the chairman, Sir Matthew Goodwin, sold 300,000 shares at 160p. His residual holding is in excess of 1m and the transaction was said to have been made for personal financial reasons.

Leonard van Geest, the chairman, sold 446,983 shares in Geest, almost a third of his existing holding. The company is involved in the distribution and marketing of fresh food, including bananas.

Three members of the board of Alumas, including the chairman, sold shares following a period of relative outperformance. All three retain fairly sizable stakes.

Colin Rogers, the inside Track

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & US\$)

Company	Sector	Shares	Value	No of directors
<b>SALES</b>				
Aberdeen Trust	Oil/F	200,000	126	1
Alumas	Misc	225,000	1,280	3
Asda Property	Prop	25,000	31	1
Asa Brit Ports	Trans	155,000	745	4
British Land	Prop	18,979	78	4
Cornwall Parlor A	Misc	10,000	14	1
Fagel	Food	448,993	1,870	1
Gestel	Food	425,000	680	2
Hewden Stuart	C&C	7,500	13	1
Kode	Eng	8,000	46	1
Menzies J	Stor	30,000	75	1
MTL	C&C	3,500	10	1
Pensionmon	Prop	30,000	51	1
Prop Sec IT	Prop	155,850	555	2
Prudential	Ins	2,232	34	1
Reuters	Med	5,000	42	1
RMC Group	BoMa	25,000	42	1
Scholl	Pha	1,000,000	235	1
SelectTV Group	Misc	108,000	738	1
Shell Transport	C&G	2,000	12	1
Southern Water	Wat			
<b>PURCHASES</b>				
Aberforth Smaller	InTr	10,000	18	1
Automated Security	Sec	250,000	253	1
Cornwall Parlor	Misc	34,000	54	5
Coutts Consulting	Bus	55,000	36	3
David Lloyd Leisure	H&L	50,000	103	1
De La Rue	Pack	3,167	21	1
Guinness	Brew	10,000	39	2
Invesco	Oil/F	10,000	17	1
Oliver Group	Stor	50,000	18	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 11-15 Oct 1993. Source: Director's Ltd, The Inside Track, Edinburgh

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## A range of UK unit trusts benefiting from UK recovery.

Guinness Flight is pleased to announce a special offer on its three UK equity unit trusts. These trusts are ideally suited to investors who wish to take maximum advantage of the rising share prices that are accompanying the current UK economic recovery.

## Recovery Trust

As the UK economy moves out of recession there is still a considerable range of companies with potential for strong recovery in their profits, as well as in their share valuations.

The Guinness Flight Recovery Trust invests specifically in such companies and has delivered excellent performance over the last year. It is now ranked Number 1 in Microcap's UK Equity Growth sector over 1 year\*.

## Emerging Companies Fund

Small companies are also major beneficiaries of the UK economic recovery. They are less affected by the continuing recession in Europe and are more operationally geared than larger companies, which enables them to respond more directly to any UK upturn.

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## High Income Trust

Investment in higher yielding UK equities is complementary to investment in smaller companies, or recovery stocks. The Trust offers an excellent combination of income now, with the prospect of income and capital growth in future, at a lower level of risk.

The Guinness Flight High Income Trust has shown a performance of 47% over the last year. It also produced a performance of 216% over 7 years and is 2nd out of 73 in the UK Equity Income sector over this period\*.

## Special Offer and PEP Terms

Better still, there's an added reason to invest right now. Guinness Flight is offering a special 1% discount if you make an investment in any of these authorised unit trusts on or before 19th November.

In addition, all these trusts are available through our Equity Selector PEP, where terms are 2% initial charge only. This is a discount of 3% to the normal 5% initial charge.

So don't delay. Act now to take full advantage of our special offer - as well as the UK economic recovery.

## Further Information

For further details about the trusts, and full details of the special offer and attractive PEP terms, call the Investment Services Department immediately on 071 522 2111, or return the coupon below.

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\* Source: Microcap. Offer to offer, net income reinvested, in Sterling to 1.10.93. Five year performance: Recovery: 232%, Emerging Companies: 253%, High Income: 97.2%. \* Source: Datastream to 31.5.93. Past performance is not necessarily a guide to the future. The value of these investments and the income arising from them may fall as well as rise and is not guaranteed. Issued by Guinness Flight Unit Trust Managers Limited, a member of IAGH and Laurus.

1710-91

## FINANCE AND THE FAMILY

## Unit trusts

## One for worldly stock-pickers

Philip Coggan assesses the merits of Framlington's international Recovery fund

**A** WEAKNESS of UK recovery funds is that they are hit badly when recession affects the British economy. Because such funds are designed to invest in high risk stocks, returns are volatile.

An international recovery fund should be able to avoid some of these problems. Although the fortunes of the world's major economies obviously are linked, it is often the case that they are out of synchronisation. Some economies (at present, the US and the UK) are recovering while others remain in recession. That should give investors a smoother ride.

Framlington runs one of the few international recovery funds. In fact, for much of its life (it was set up in April 1982), the fund concentrated on just two countries - the US and the UK - where Framlington believed its expertise was concentrated. That changed when Rebecca Thomas took over as manager in 1991. She gave the fund a much wider spread and the geographical split of the assets is now UK (38 per cent), US (32 per cent), Japan (14 per cent), Europe (12 per cent), Far East (2 per cent) and cash (2 per cent).

Thomas emphasises, however, that Framlington Recovery is "very much a stock-picking fund. We are picking the

stock because of each company's potential to recover, not the economy's."

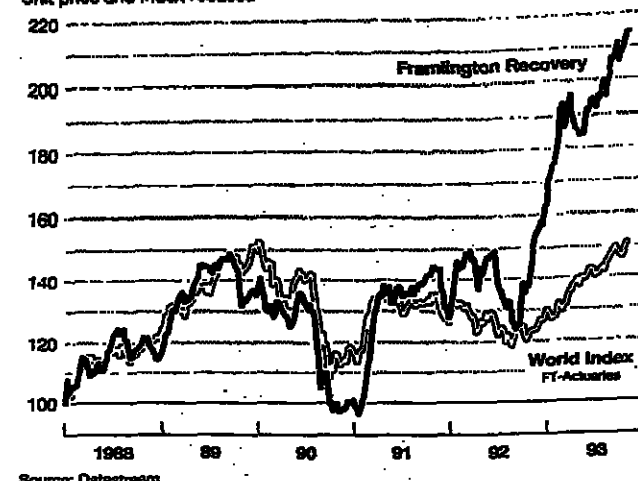
With a world of stocks to choose from, the fund cannot be a one-woman show. In fact, five people make the stock selections with Thomas focusing on the US, Stephen Watson on the UK, Antony Milford on Europe, Peter Jordan on Japan and Christel de Vauman on the far East. And although the fund is worth only £50m, it has a very wide spread of holdings. "We used to own over 200 stocks," says Thomas. "Now, it's down to 130."

The fund picks some stocks early in the recovery cycle: for example, buying shares in advance of the rights issue that will strengthen a company's balance sheet. Generally, it looks to hold stocks for two to three years so that it can benefit from the final phase of recovery when the shares gets the "double whammy" of earnings growth and the re-rating of the company's price-earnings multiple.

The fund's aim is to produce capital growth, and this lack of a dividend constraint allows Thomas to look at companies where the dividend has been cut. She is prepared to "average down" her purchases if she believes in the story. "We first bought Asda at 75p, then 40p, then 22p. The average price we paid was around 40p and the

## Framlington Recovery Trust

Unit price and index rebased



Source: Datastream

shares are now 60p."

The recovery approach means, inevitably, that there are few well-known names in the Framlington portfolio. The trust's largest 10 holdings are Renold, Hewlett-Packard, Southdown, Avon Rubber, Anchor Bancorp, BMC West Corporation, Hocking Pentecost, Matthew Clark, Shimano and American Travellers Corporation. The list contains a mix of companies where the underlying business is recovering (such as Hewlett-Packard, the UK plant hire company), or where new management has

caused a revival (such as Hocking Pentecost, a textile group).

The fund's long-term record is excellent. Since launch, the compound annual return to investors has been 18.8 per cent. The trust is ranked fourth of 44 in the international equity growth sector over the 10 years to October 1, 1993, with a growth of 374.5 per cent (offset by income reinvested: source Microcap).

Over the one and three year periods, the trust is in the first quartile (top 25 per cent) of international equity funds, achieving growth of 48.5 and

103.1 per cent respectively. Over five years, however, the fund is just out of the top quartile, ranking 29th of 112.

Thomas says the slight dip in the five year record was caused by a bad patch in 1989-90 when both the UK and US economies showed signs of slipping into recession. She adds that she underestimated the strength of Japanese stock market and the yen over the past year, although the Japanese shares the team selected did perform well. The group has reduced its US weighting substantially over the past year, believing that the market had got ahead of itself.

Thomas emphasises that the Recovery fund is not designed for those who want to track the world stock market index. And Anne McMeekin, managing director of Framlington Unit Management, says the fund is designed to add "a bit of spice to the international investor's portfolio."

Charges. The initial is 5 per cent and the annual 1.5 per cent (increased recently from 1.25). Minimum investment is £500, or £50 a month via the savings scheme. The trust is not fully PEPable because it does not guarantee to keep more than 50 per cent of its assets in the EC. But £1,500 a year can be invested in the fund as a "non-qualifying" PEP.

## The Speculator

## Looking to the future

**I**N THE US, futures funds look after some \$21bn of assets, but the sector has yet to take off in the UK. Only a few managers have entered the market since the Securities and Investments Board (SIB) licensed such funds in 1991.

In part, this is because of an public image that links futures with wild speculation. But futures can be used to reduce risk, as well as to increase it. It is important that potential investors understand the different types of futures funds.

One simple use of futures funds is to match a particular index. This is relatively easy to do, since most major stock market indices are traded on one of the world's futures exchanges. Furthermore, since for every futures buyer there is a seller, one also can create funds that perform in a completely

opposite way from a given index.

This gives additional scope to those who believe, say, that the FT-SE 100 index is riding for a fall. Instead of just selling shares and investing in cash, the bear can aim to make a profit from the falling market. John Govett has a range of bull and bear funds based on US, UK, European and Japanese indices, as well as other financial commodities such as the US dollar.

The same principle can be applied to provide a geared return on the index - a so-called GPOP (or geared futures and options fund). Govett has a GPOP which aims to double the capital growth of the FT-SE 100 index; the corollary is that, if the index falls, the investor's losses are doubled. So, this type of fund is only for the strong of stomach (and wallet).

A different variation is to use futures

to try to reduce the effect of the stock market's volatility. Last year, Fidelity launched the Stabiliser Growth range, a set of four funds covering the UK, America, Europe and Japan. They were designed to provide a return which does not rise as quickly as the index in a bull market, but does not fall as fast as the index in a bear market.

The aim was to create a "half-way house" for investors who were thinking about moving funds from the building society into shares but were alarmed by the risks involved.

In the US, futures funds tend to give the manager greater freedom. Some funds are allowed to take bull and bear positions in a range of financial instruments, and even in agricultural commodities, where there is a perceived opportunity for profit. The investor obviously has to buy on the basis of the

reputation of the fund manager, although there are funds which use a range of futures specialists. Such speculative vehicles have yet to be launched in the UK, thanks mainly to the tight rules of the SIB.

For European investors, E.D. & F. Man offers a range of futures funds which take the diversified approach. The key to overcoming traditional European caution has been to offer a guarantee. So, a substantial proportion of the funds is invested in zero coupon bonds, which grow to repay the investor's initial capital; the rest is used to play the futures markets.

The Man funds, which are registered in offshore centres such as Bermuda, are not SIB-regulated and cannot be sold directly to UK investors.

Philip Coggan

## Beware of the sting in the tail

**I**N MY portfolio, I have two very successful single-premium investment bonds with different insurance firms. I rang one company asking about the procedure for cashing the bond. It replied that any gain would be free from basic-rate tax, although (a) this might affect entitlement to age allowance and (b) any charge for higher-rate tax would depend on the individual's circumstances.

I then rang the Inland Revenue. It assured me there would be no tax, as capital gains tax was already taken care of in a single-premium bond. But the Revenue added that it would look on the money I received as income and reduce age allowance accordingly.

I understand from previous articles that the Revenue admitted in the 1970s that it was unlawful to restrict age allowance by taking capital gains into account in matters like this.

When we use the phrase "capital gains" in our articles and Briefcase replies, we mean "capital gains as calculated for the purposes of charging capital gains tax"; the phrase does not include (as you unfortunately thought) capital gains chargeable to income tax.

It is not practicable for us to keep defining the words and phrases which we use commonly - that would make our replies too long and repetitive. You must bear in mind that every reply is tailor-made for the reader who asked the question; thus, what we say must not be taken as a statement of universal application.

What you were told is correct except that the exemption from CGT has nothing to do with CGT being "already taken care of in a single-premium bond." Exemption from CGT (which is not actually an advantage, because it merely denies you the benefit of indexation losses) is given by section 210 of the Taxation of Chargeable Gains Act 1992.

Over the years we have, in fact, given a number of warnings in our columns about the sting in the tail of single-pre-

## Q&amp;A

## BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

minimum life policies for people over 64 on modest incomes. (Here again, when we use the phrase "people over 64" we mean people whose 64th birthday fell before the beginning of the tax year in question; but we cannot spell that out explicitly on every occasion.) The surrender or maturity of a single-premium life policy (a so-called investment bond) can trigger a 12% per cent age allowance clawback because section 547 of the Income and Corporation Taxes Act 1988 says:

"(1) Where under section 541... a gain is to be treated as arising in connection with any policy... if, immediately before the happening of the chargeable event in question, the rights conferred by the policy... were vested in an individual as beneficial owner... the amount of the gain shall be deemed to form part of that individual's total income for the year in which the event happened..."

(5) "...where by virtue of subsection 1 above, a sum is included in an individual's total income... he shall be treated as having paid income tax at the basic rate on that sum..."

## HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
<b>INSTANT ACCESS A/c's</b>					
Birmingham Midshires BS	First Class	0902 645700	Post	£500	6.40% Yr
Britannia BS	Capital Trust	0538 391741	Post	£2,000	6.70% Yr
Stirling's Midshires BS	First Class	0902 645700	Post	£10,000	6.85% Yr
North of England BS	Edinburgh	091 510 0049	Post	£25,000	7.10% Yr
<b>NOTICE A/c's and BONDS</b>					
Northern Rock BS	Ninety Day	091 285 7191	90 Day	£5,000	6.75% A
City & Metropolitan BS	Super 60	061 464 0614	60 Day	£10,000	7.25% Yr
Scotiabank BS	Scotiabank Ninety 3	0723 308153	90 Day	£25,000	7.55% Yr
West Bromwich BS	180 Day	021 525 7070	180 Day	£50,000	8.10% Yr
<b>MONTHLY INTEREST</b>					
Birmingham Midshires BS	First Class	0902 645700	Post	£500	5.94% M
Britannia BS	Capital Trust	0538 391741	Post	£5,000	6.45% M
Woolwich BS	Investment Bond	0800 403000	90 Day	£25,000	7.25% M
West Bromwich BS	180 Day	021 525 7070	180 Day	£50,000	7.81% M
<b>TESSAS (Tax Free)</b>					
Hindley & Rugby BS		0455 251234	5 Year	£25	8.05% Yr
Dunfermline BS		0385 712121	5 Year	£3,000	8.00% Yr
National Counties BS		0372 742211	5 Year	£3,000	7.90% Yr
Duckley BS		0384 231414	5 Year	£10	7.87% Yr
<b>HIGH INTEREST CHEQUE A/c's (Gross)</b>					
Calderonian Bank	HICA	031 536 8235	Instant	£1	5.50% Yr
Chasea BS	Classic Postal	0800 717515	Instant	£2,500	5.85% Yr
Northern Rock	Current	0800 591500	Instant	£25,000	6.85% Yr
<b>OFFSHORE ACCOUNTS (Gross)</b>					
Woolwich Quaternary BS	Woolwich Invest	0481 716735	Instant	£500	6.25% Yr
Confederation Bank Jersey	Flexible Invest	0343 883838	90 Day	£10,000	6.75% Yr
Derbyshire (Q&A) Ltd	Key Term	0824 683432	31.8.94	£5,000	7.50% Yr
Yorkshire Guaranty Ltd		0481 710150		£5,000	6.70% Yr
<b>GUARANTEED INCOME BONDS (Net)</b>					
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.85% Yr
Consolidated Life FN		081 940 8343	2 Year	£2,000	5.00% Yr
Consolidated Life FN		0800 521646	3 Year	£10,000	5.25% Yr
Consolidated Life FN		081 940 8343	4 Year	£2,000	5.00% Yr
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MINDING YOUR OWN BUSINESS

# Thatcher's tragedy

## by Geoffrey Howe

Continued from Page 1

Continued from Page 1  
tight personal control on discussions...Laid back generalists from the Foreign Office let alone the ministerial meddlers in charge of them - could not be relied upon. By contrast, I was in my element". She goes on to note the inconvenience of having included Michael Heseltine and myself, as defence and foreign secretaries, in a subsequent SDI discussion at the White House. "I did not bring them again".

Throughout the book, Margaret Thatcher's deep distrust of the Foreign Office shines through. My own increasing "unsoundness" on Europe is attributed to "the Foreign Office's deformation professionelle...the more the Community moved in a centralised direction, the more influential the Foreign Office became in Whitehall". My own belief in ERM entry is seen as conversion to an FCO "departmental enthusiasm". The fact that she herself agreed a European Election manifesto in June 1979 which actually endorsed ERM entry is, of course, never mentioned. The fact that the ERM really started to work successfully after 1983 - when France gave priority to a strong franc over socialist economics - was a powerful fresh argument.

The ERM issue was, as Nigel Lawson has eloquently chronicled, the epitome of Margaret Thatcher's "I must prevail" syndrome. It matters little to her that she found herself alone - apart from John Biffen - at the crucial ministerial meeting on the ERM in November 1985, when Willie Whitelaw, Leon Brittan, Norman Tebbit and John Wakeham joined Nigel Lawson, myself and the Governor of the Bank of England in recommending early entry.

Instead of moving ground, she decided that there should be no more collective discussions. As is well known, my own belief is that had the UK joined the ERM in 1985, we would have spared the excesses of the boom-bust cycle.

Equally we could have avoided the clashes over ERM entry in 1989 which ruptured irretrievably the once solid troika which Nigel Lawson and I had formed with Margaret Thatcher. One cannot help feeling that her own reputation might be the greater today - indeed she might even still be in power - if she had not tested that relationship to destruction in pursuit of an ideological obsession.

It is in the last third of her book that the sparks really begin to fly. I am cast as perhaps the guiltiest of her guilty men. So be it. I am in good company, and I will explain in full my motives and behaviour when I publish my own memoirs - although on a rather less spectacular scale - next year. My feeling now is one of sorrow, rather than anger. Sadness that she should feel so deeply and so bitterly about the rights which others asserted to have their say. Sorrow that she could not understand, and - as her recent interviews suggest - is coming even less to understand, the danger in her mood of invincibility and intolerance towards any who dared to disagree.

For Margaret Thatcher in her final years, there was no distinction to be drawn between person, government, party and nation. They merged in her mind as one seamless whole. Her interests were axiomatically those of Britain. Any criticism of her was an unpatriotic act. To see that tragedy for what it was and react accordingly was not to engage in treachery, but to do what I at least believed to be right for my party and my country. I have no regrets whatsoever about that.

It is impossible in one review fully to rectify her account of those final years, especially the memorable episodes of the pre-Madrid "ambush" (in June 1989), my departure from the Foreign Office (a month later), and ultimately my resignation from her government (in November 1990), three weeks before her own. But I will try to give a flavour of how her description falls short of objectivity, at least in respect of the first, and comment briefly on the second and third.

First, Madrid. Before the Madrid European Council, where the Delors Report on monetary union was to be discussed, the prime minister was not planning any discussion with her chancellor or foreign secretary about the key issues to be tackled - how we were going to prevent maximalist conclusions being reached, including a possible timetable for stage two of EMU. Nigel Lawson and I produced a joint memorandum on Madrid strat-

egy and insisted on a meeting. This was conceded with bad grace and elicited little response. After a second joint note, we secured with great difficulty a further meeting. At this, we threatened to resign if she could not make a specific commitment at Madrid to join the ERM at some point in the reasonably near future.

We suggested that, subject to specific conditions, the UK should enter not later than the end of 1992. Without concessions in this direction - and ERM entry was, after all, official policy and desirable in itself - we believed that it would be very difficult to detach stage one of EMU from Stages two and three. An early intergovernmental conference to draft an EMU Treaty would become inevitable. Britain would be isolated and there would be little chance of holding back the Delors route to a single currency.

The prime minister was deeply annoyed by this "nasty little meeting", as she describes it - it was certainly not an easy occasion - and left the matter unresolved. She did not reveal to either of us what she planned to do. When she and I flew to Madrid, later that same day, we exchanged no further words on the matter. She locked herself into her hotel room on arrival. It is therefore instructive to record more fully than she does in her memoirs what happened the next day.

There was widespread expectation that Margaret Thatcher would object to EMU lock, stock and barrel. However, when the prime minister spoke, she said that the Handover European Council had

planned. I was therefore somewhat surprised, as was everyone else, when the knife fell. Her account of our first meeting on July 24 1989 - which I managed to keep secret by entering through the Cabinet Office - is misleading. She offered me both the home secretaryship and the leadership of the House at this meeting. I rejected the first and said I would consider the second.

There was no negotiation, as she implies, over Dorneywood. I did not request it; she said Nigel Lawson would have to leave it and she would settle that matter with him privately. At the second (publicly known) meeting, in the afternoon, I accepted the leadership of the House on the basis - which I requested - that I would become deputy prime minister, with certain cabinet committee chairmanships. This had been largely agreed in telephone contacts before the meeting. There was no particular resistance from Number 10. Astonishingly, she was not prepared to reveal the name of my successor.

It was perhaps a mistake to have believed that this arrangement could have worked. It was not helped by the fact that, because Number 10 unnecessarily revealed that there had been two meetings, the press quickly worked out that there had been a negotiation over the job. Once that happened, we were on a slippery slope. Bernard Ingham's rubbishing of the post of deputy prime minister fatally compounded the problem. Certain Number 10 sources talked freely about Geoffrey Howe having no reason to feel "hard done by", since he had been offered other jobs.

Margaret Thatcher was unforthcoming about why she wanted me to leave the Foreign Office. She said simply that it was lack of agreement over Europe. It is therefore all the more surprising that she still claims not to understand why I resigned. This brings me to the third point. I resigned for the same reasons she sacked me from the Foreign Office: deep and growing differences over her handling of European affairs. In late October 1990, she allowed what we had avoided at Madrid to occur in Rome - total isolation on EMU.

She did it by saying "never" and refusing to negotiate. I was deeply concerned by the 11-1 outcome. I was shocked by her cavalier announcement to the media afterwards that we would simply veto any EMU Treaty the others negotiated. I could not accept her casual undermining - in throw-away lines in her Commons statement on the Rome outcome - of the Chancellor's hard ECU plan, a possible way which everyone in the party could live with and which kept us in the same negotiation as the rest of Europe.

Certainly I could have been more explicit in my resignation letter. Her and Kenneth Baker's deliberate attempt to trivialise my concerns - as style rather than substance - made my resignation speech, 13 days later, inevitable. Her decision expressly to rule out a single currency, rather than negotiate to postpone or dilute it, was not the "removal of camouflage" she talks of, but a decisive break with the 30-year-old Macmillan concept of Britain's role in Europe. She was breaking with Europe the logic of Europe taken to extremes - and I had to break with her. I could not know the exact consequences: I wanted to change the policies, not the leader. But if that meant that the leader had to go, then so it had to be.

Margaret Thatcher was beyond argument a great prime minister. Her tragedy is that she may be remembered less for the brilliance of her many achievements than for the tenacity, the recklessness, with which she later defended her own, increasingly uncompromising views. The insistence on the undivided sovereignty of her own opinion - dressed up as the nation's sovereignty - was her undoing.

The withdrawal of support for her leadership, not just by her reluctantly-retained deputy, but first by almost half the parliamentary party and then by the bulk of her own Cabinet, was a consequence not of malice or weakness but of an increasingly clear perception that her single-mindedness, which had once achieved so much, now threatened to take her party and the nation into the wilderness.

Ironically, this characteristically candid book makes clear to almost everyone except its author the reasons that lie behind the tragedy, as well as the triumph, of Margaret Thatcher.

agreed that there should be concrete stages leading to the progressive realisation of EMU, and we should be pragmatic. The Delors Report, she said, was right to go for a staged approach to EMU and its analysis was valuable. We were ready, she said, here and now to make an early start on stage one with effect from July 1 1990, and in some respects we wanted stage one to go further than proposed, for example in the use of the ECU. She had always made clear that we would join the ERM when the time was right, but this would have to be carefully judged. She could reaffirm the UK's intention to join in conditions which would strengthen the ERM. The timing, she said, would depend on progress in the UK against inflation and progress in the community on the single market (scheduled for completion in 1992), and particularly on the abolition of exchange controls (agreed for 1990). The timing, of course, was for HMG alone. As for the later stages - two and three - we had serious difficulties: the adoption of a single currency would not be acceptable to the House of Commons.

The effect was electrifying. At the end of the morning a number of colleagues came over to commend the new, strangely calm, presentation of a much more positive position - and Jacques Delors with "Congratulations, Geoffrey, on having won the intellectual argument within the British Government." I explained that it was probably not quite as straightforward as that - and so it proved. But although the prime minister had avoided any commitment to a date, we had made the essential breakthrough. The Madrid conditions, which led - duly modified - to entry 15 months later had been set. President Mitterrand had incidentally been isolated. And the occasion was seen as a victory for the UK - and a significant shift by Number 10.

This brings me to my removal from the Foreign Office. With the benefit of hindsight I should have seen dismissal coming. However, the media had been led to report that there would be no change in the top team, and I myself had received implicit assurance from the chief whip that no such moves were

In A Cotswold village another revival of the British film industry is ready to take shape. Early next year, producer Genevieve Jolliffe and director Chris Jones, both less than four years out of film school, launch their first full-length feature film.

*White Angel*, a psychological thriller, will be one of a handful of all-British features on general release in the past 12 months. Classed as low budget, it cost less than £1m to produce. The pair had to raise all the capital themselves, and they have had to wait four years before seeing any return.

All the money has come through our own contacts - friends, friends of friends, and simply people who have faith in us and our ability to produce a good film that will make a lot of money," said Jolliffe.

Several hundred people have lent us sums ranging from £100 to £30,000. None if it came from a bank." Although only 23, Jolliffe had "lived films" since being captivated by *Star Wars* at the age of seven. Two years ago she gained an entry in the *Guinness Book of Records* for being the youngest British film producer, and the world's youngest female producer. After film school in Bournemouth she and partner Chris Jones made another psychological thriller, *The Runner*, with a group of friends. It was backed by a large film distribution company and made a lot of money. Jolliffe and Jones made nothing, but they had an excellent product to show the backers of *White Angel*.

Nevertheless, it has been a hand-to-mouth existence for the past three years since forming Living Spirit Pictures and making *White Angel*. They have existed on grants from the government Enterprise Allowance Scheme and a gift of £5,000, plus much material support from The Prince's Youth Business Trust. In addition they have made a number of small but profitable promotional videos.

In the last six months, however, the pair's day-to-day income has all but dried up. *White Angel* will not hit British screens until November 15, when it will get two screenings at the West End Odeon as part of the London Film Festival. By then, hopefully, the couple's fortunes will have improved. By the end of this month the first payments from pre-sales of the film, arising from August's Montreal film festival, will arrive in the Living Spirit bank account.

"We know that by the end of the year we will have taken at least half a million pounds," Jones said. "We shall immediately pay out about half of that to our creditors but we shall still be poor for another 12 to 18 months because most of the remaining money will go straight in to our next project."

"This is under wraps at present but it is much bigger than *White Angel*. We have had serious offers of pre-sales valued at more than £2m from some very large distributors who are prepared to buy the rights before the film is made."



Jones and Jolliffe: a hand to mouth existence for the last three years

## The road to fame

Clive Fewins meets two would-be British film makers

Jolliffe said: "We told our investors they would get their money back and double it, and we are well on course. The plan is that they will get an additional one per cent of the total profits for each £10,000 they have invested."

"What we said all along is proving true. *White Angel* got rave reviews at the Montreal Film Festival at the end of August. It is so low budget it cannot fail to make money."

"But our movies are our existence. It is a long cycle to financial success in this business. It will be a long time before we are millionaires."

In the meantime the couple lives with difficulty. "Our biggest outgoing has been the rent of the cottage - £450 a month," said Jones, an ebullient 25-year-old.

"It is quite easy to drive to west London, to dubbing theatres, sound transfer bays, equipment hire companies, publicists, and all the other specialist services we need," he added. "Also, we have all the editing equipment we need here in the cottage. It comes as part of an £8,000 seedcorn grant from Cheshire County Council."

"Besides, more than half of *White Angel* was shot here, so we are very attached to the building, although we shall probably move and buy something for ourselves with some of the proceeds of the film."

The film is set entirely in suburban London. Jolliffe and Jones having deliberately written the screenplay to suit a location in the outer suburbs.

They started shooting some of the scenes in a rented Ruislip house before their move to the Cotswolds. However, after they moved out, they were unable to return to shoot other scenes in the same interior. So they had to recreate that in the garage at their current cottage.

"When we filmed *The Runner* in and around the cottage we occupied our Nantwich we hired Terence Ford, the brother of Harrison Ford, to play the all-American action-man hero," said Jones. "When he arrived, direct from Hollywood, he found, to his enormous surprise, that all the crew as well as the actors, were staying in the same house. It was quite a shock as he was used to having an enormous camper van to himself. However, he stayed the course."

"It was much the same here," *White Angel* will get a limited theatrical release in the new year, but in the meantime, through their agents, the couple have already made sales totaling £500,000 to £750,000 in the US alone. Rights have been sold in Korea and Venezuela and negotiations are going on with distributors in the UK, Germany and Spain.

Jolliffe and Jones believe that, in spite of a mass of talent, the British film industry will not return to anything like the health of the 1950s and 1960s.

"The problem seems to be that the British see film-making as an art, not an industry. So in this country the professionals don't make great movies any more - they make terribly important films. We represent a new generation of film makers. Our aim is to revive the British film industry. No less."

■ *White Angel*, starring Peter Firth, Harriet Robinson and Don Henderson, producer Genevieve Jolliffe, director Chris Jones.

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## TRAVEL

# Kenya – just beating around the bush

*Afraid of being eaten, Michael Thompson-Noel still got close to elephants and seven cheetah*

DAY 1, 2pm: Happiness is seeping into me, like a welcome dose of painkiller. I am at Rekero Farm, under the crest of Kipaleo hill, in the north-western part of Kenya's Masai Mara conservation area, watching elephants drinking at a water-hole which is fed by a year-round spring. The elephants snort and push, and spray themselves with dust.

I arrived from London yesterday and was transferred at once to Nairobi's smaller airport where I caught a charter flight to an airstrip in the Mara. Total travelling time from Heathrow: 12½ hours. Impact on the psyche: immediate and considerable. My regret at transiting Nairobi: absolutely zero.

Richard Leakey, director of the Kenya Wildlife Service, admits that the back streets of Nairobi, where lynchings are commonplace, some by necklacing, are now no safer than the back streets of Miami, and that the city's vice and violence have played a role in the decline in Kenyan tourism.

Ron Beaton, who runs Rekero Farm with Pauline, his wife, says: "Staying overnight in Nairobi is a complete waste of time. It used to be a fun city, now it's a den of iniquity."

So to hell with Nairobi. By now the wind has shifted slightly. The elephants have smelt me. Irritably they wave their trunks. They glare across the water-hole. Crossly, they move away.

The peace at Rekero – a private home with accommodation for six guests – is as fine as its old-time hospitality. Guests sleep in twin thatched cottages which overlook the water-hole, 30 yards away. There is wildlife all around, including, says Ron Beaton,

three prides of lion.

Beaton is a third-generation Kenyan with a farming and wildlife background. "If clients are hyper on seeing the Big Five (lion, leopard, Cape buffalo, black rhino and elephant)," he cautions, "then they'd be better off in the game lodges. Here, we put more emphasis on an authentic African experience than on cut-glass luxury." Yet Rekero is perfectly civilised.

This morning Ron led our little group on a game-drive and walk. I much preferred the drive. Game-walks make my heart race. You can trudge along for hours, scarcely seeing a thing. You could easily be eaten. I imagine it happens often: a roar and a thud and – arrghhh!

What surprised me this morning was that we saw seven cheetah from a range of a few feet. They virtually ignored the vehicle. First we saw two males, walking slowly across the plain, their cheeks bloodied from breakfast. Then a female with a cub (the only survivor of three). And then a female with two cubs, barely four weeks old, vulnerable and mewling. When they skittered away, the female called to them anxiously.

Day 2, 6pm: I am sitting alone on Rekero's veranda. The others have gone for a walk, heedless of gathering lion and of other unspeakable dangers. I am flipping through the pages of *African Hunter*, a dinosaur of a tome even when it was published in 1975. It is a reverential guide to the business of slaughtering wildlife by a man, James Mellon, who had shot approximately 450 African

game animals.

In Chapter II, in a section about Tanzania, Mellon discusses methodology: "Leopard occur virtually everywhere in Tanzania and can be attracted to dead bait without much difficulty. Many huge old toms have been taken in the north along the korongos (dry water-courses) of Masailand, but with luck a trophy cat can be shot almost anywhere. Where circumstances permit, leopard can sometimes be drawn out of thick cover by beaters and shot on the run with 90 buckshot. But baiting in trees with putrid carcasses is usually more successful."

Today, Richard Leakey says that Kenya's conservation efforts are producing good results. Nearly 28,000 square miles are protected areas. In the past two years Kenya has attracted more than \$150m (\$99.3m) in outside aid to spend on wildlife conservation and the necessary infrastructure. "It is often claimed," he says, "that in Kenya more and more tourists are clustering round fewer and fewer animals. Yet of 52 national parks and reserves, only seven are accessible to mass tourism."

"Our security is excellent. We have 900 armed men, plus good surveillance and intelligence. In general, the standard of safety for tourists in our parks is good, and commercial poaching has been reduced virtually to zero."

"One of the biggest problems now is destruction of crops by elephants. We are losing 50-60 elephants a year – no more than 10 in the national parks – as a result of attacks by villagers, compared with the thousands being lost previously."

"Kenya is firmly opposed to any renewal of trade in ivory



Breakfast out on the plain at Ol Donyo Wuas, north of Mt Kilimanjaro

and rhino horn for at least five years. If trade in ivory were to restart in any part of Africa, the black market would start again and we would face renewed serious security problems in our national parks.

"Numbers? Kenya's black rhino population is certainly now 400-450, compared with 300-350 four years ago. There are 80 white rhino, which are not indigenous, mostly on private land, and about 26,000 elephants, compared with a low of possibly 18,000."

Day 3, 4pm: Now I am at Ol Donyo Wuas – it means spotted hills in Masai – more than 200 miles south-east of the Mara, in the foothills of the Chyulu hills which run between Amboseli and Tsavo national parks. This is supremely beautiful country: semi-arid, with a short-grass plain stretching to the horizon on which, 45 miles away, Mt Kilimanjaro is propped. Annual rainfall hereabouts: 20 inches annually. The nearest source of water: a village 23 miles away.

Ol Donyo Wuas is owned and run by Richard Bonham, a buccaneering bachelor – he is a qualified commercial pilot – who specialises in unusual safaris, including walking-and-hoisting adventures from his camp on the Ruviji river in Selous game reserve, southern Tanzania.

Accommodation at Ol Donyo Wuas is in four comfortable cottages, limiting guests to a maximum of eight. Activities available include game drives and walks, horse riding, horse safaris (you stay in camps each night) and bird shooting (July to October). Because of the dryness there is less game here than in the Mara, but there is still quite enough. Unsurprisingly, Bonham rates the location of his home one of the most startling in Kenya. He discovered it from the air.

Like Ron Beaton in the Mara, Bonham works closely with the local Masai, who view him as a friend and from whom he rents his land. I asked Bonham what he did to

help the Masai, beyond his role as an employer.

He said: "I represent them on a wildlife committee; run a cropping programme; have set up a women's workshop, which I use as a forum for wildlife education; have established a trust which pays for wildlife scholarships and for school-books. And if someone gets mauled by animals, I try to cover the cost."

A year ago he was asked to rescue a 17-year-old Masai who had been badly mauled on a lion hunt. The lion had killed a cow, so a dozen warriors hunted it. Three speared it, then the 17-year-old was mauled. Bonham rescued him and flew him to the best hospital in Nairobi which patched him up. Medical bills alone ran to \$1,500. The warrior recovered; now he is a herder.

A Masai lion-hunt must be a sight-and-a-half. The warriors run the beast down – stamina

is not its forte – and are armed only with spears. The most courageous warrior is the one who grabs the lion's tail and holds on to it. Usually the warriors are juiced-up on a decoction of the bark of *acacia nilotica*, which acts as a powerful stimulant.

It is a fine plant, the *acacia*. Other members of the subfamily are used by medicine men for treating diarrhoea, intestinal worms, itchy rash, female sterility, snake bite, malaria, bubonic plague, bleeding, skin eruptions, brain infections, swellings, and head or body sores.

Day 4, 3pm: For a final dose of painkiller I have travelled, via Nairobi, to the comfortable tented camp on Funzi Island, 40 miles south of Mombasa, where the pleasant mindless life of small tropical islands anywhere is abundantly in evidence: fishing, goggling, swimming, or idling through the mangroves. In an hour's time I start my return trek to London. It gets harder every time.

Michael Thompson-Noel's trip was organised by Worldwide Journeys and Expeditions. The company's new brochure is published next week: 8 Comeragh Road, London W14 9HP, tel: 071-381 8638, fax: 071-381 0836. There is a 15-day "Homes of Kenya" holiday in the new brochure which takes in Ol Donyo Wuas, Rekero Farm and Funzi Island, plus Sangare Ranch in the foothills of the Aberdares. Based on four people travelling together, the price is £2,795 per person (Jan-Nov) or £2,930 (Dec). However, Worldwide Journeys and Expeditions will put together almost any itinerary you want, for Kenya or elsewhere.

Details of other visits to Kenyan homesteads can be had from Ron Beaton: Off the Beaton Track, PO Box 14388, Nairobi, tel: 506139/502491. Richard Bonham can be contacted via PO Box 24133, Nairobi, tel: 883521. For Funzi Island: PO Box 90246, Mombasa, tel: 238677.

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MOTORING / SPORT

London Motor Show / Stuart Marshall

# Indulgence first, reality later

**P**ICKING the star of the London Motor Show depends on your attitude to cars. Are they a business tool, a mobile extension to the home - or sheer indulgence?

If an indulgence, there are several on which to feast your eyes at Earl's Court. One is the AC Ace, a Ford V8-engined convertible which is hand-built in Surrey on a stone's throw from the old Brooklands race track. The Ace is put forward as a realistic alternative to the class leader among mature motorists' sports cars, the Mercedes SL.

While the Ace is making its world debut, the DB7 that promises to be the best Aston Martin for two decades has been seen already at Geneva and Frankfurt. Powered by a supercharged Jaguar 3.2-litre, in-line, six-cylinder engine producing 335 horsepower, it is a two-by-two of head-turning elegance.

An Ace will be around £50,000; a DB7 - on sale from next April - nearer £80,000. But these are modest

prices compared with the £150,000 Ferrari will ask for its latest offering, the 456GT, when UK deliveries start early in 1994.

Is Toyota's new, twin-turbocharged, 237,500, three-litre V6 Supra an indulgence, too? I suppose so, although this ultra-civilised very high performer might appeal to a young entrepreneur seeking dashy business transport.

Worth looking at, if only enviously, are the latest manifestations of the seemingly everlasting Porsche 911 and the BMW 840Ci coupé.

The Porsche, as always, has an air-cooled, horizontally-opposed six. The BMW is powered by a four-litre V8 instead of the 850Ci's five-litre V12 and, especially with automatic

transmission, is sheer joy to drive.

All these high-profile, glamorous cars are the icing on the motor show cake. Of greater personal interest to most visitors are cars that might realistically grace their garages, or decorate their drives, given an indulgent employer or understanding bank manager.

There are a lot of them at Earl's Court, although not all will be on sale immediately.

Ford's Probe, seen for the first time with right-hand steering and due to reach Britain early in 1994, is the overseas successor to the Capri. Although Ford-badged, it is built at Mazda's US factory and will be offered with either a Mazda two-litre, four-cylinder engine or Ford's

own 2.5-litre V6. A pretty car, it competes with the 2.5-litre, V6-engined Vauxhall Calibra.

The Honda Civic coupé, shown first at Frankfurt, is another international car designed for Europe, made in the US and not even sold in Japan. The South Korean Kia Mentor 1.6-litre, a neat, power-steered, four-door saloon, looks most attractive and will be in British showrooms soon, priced keenly to under-sell most of its European and Japanese counterparts.

The new Seat Ibiza, made by Volkswagen's Spanish arm, will soon be in Britain with three or five doors. Think of it as a cut-price VW Golf equivalent. Toyota's new three-litre Lexus GS300 (on sale in the UK

now at £31,950) is a challenger to the Mercedes E-Class and BMW 5-Series. Mazda's Xedos 9, available in Germany but not due in Britain until early in the New Year, is related closely to the Xedos 8 but has V6 engines of two or 2.5 litres.

A Volvo saloon or estate with turbo-charging and a top speed of close to 150 mph (240 kph) sounds like a contradiction in terms. But the company thinks the 850 T-5 will snap at the heels of £24,000-25,000 cars in the BMW and Saab Turbo class.

There is a bullish air on the Mercedes-Benz stand where the new C-Class has pride of place. Last week, Mercedes-Benz UK took orders for nearly 800 vehicles, of

which 500 were C-Class. This roomier, curvier replacement for the best-selling 190 seems bound to become the benchmark for compact executive saloons. All the engines, including diesels with four and five cylinders, are multi-valve designs. Prices, starting at £17,600 for a 1.8-litre C180, are only slightly higher than those of the 190 equivalent.

Also worth a look in this size class is the latest Volkswagen Passat, face-lifted for 1994 and bristling with safety features, twin air-bags among them. It is expected to be priced from £13,000-22,000 when it arrives in the UK in January.

The first Golf estate, with 25 per cent more luggage space than the hatchback, and the new Golf Cabrio-

let are both on show at Earl's Court and will reach Britain early in 1994.

Can the on/off-road, recreational, four-wheel drive market absorb any more new models? Toyota clearly thinks so because its 4Runner, with three-litre petrol or diesel engines, joins the long established Land Cruisers. It looks as hefty as the Vauxhall Frontera and also shares a pick-up truck's underpinnings.

Land Rover, meanwhile, is showing the best all-round version of the Discovery yet: a diesel automatic with a hush pack. This is quiet, has excellent fuel economy and is car-like to drive in town.

On Fiat's stand, the Punto - due in Britain next spring - makes its UK debut.

**The London Motor Show at Earl's Court is open daily from 9.30am-7.30pm (9pm on Tuesday, Wednesday and Thursday) and closes on Sunday October 31 at 6pm.**

Admission is £6.50 (£5 after 5pm) with reductions for children and pensioners.

## Rugby All Blacks boosted by generosity of hosts

Derek Wyatt previews the New Zealand tour, which starts today

**T**HE All Blacks open their 13-match tour this afternoon at a sold-out Twickenham against the London and South-East Division. They are, justifiably, worth their No. 1 status in the world, having disposed of the British Isles, Western Samoa and Australia earlier in the year.

They will find the London side playing an expansive game which will suit the likes of Will Carling, Damian Hopley, Chris Oti and Tony Underwood, but it could stretch Huw Davies' abilities at full-back.

The All Blacks will play it tight, as they have done for the past 100 years. There is a game predicated on crossing the gain line as close to as many forwards as possible. It can, therefore, be mind-numbingly boring to watch, but it is ruthlessly effective.

Only Australia, over the past five years, has managed to beat them, and beat them well - something they find quite alien. True, South Africa has the best record against them at international level (25-17), but not in the recent past and not since neutral referees were introduced.

Australia's success has come from matching the fire and fury of the All Black forwards, and actually being superior technically in the front and second rows. This, understandably, has sent shock waves through the New Zealand community.

But, as well as settling for equality up front, the Wallabies have had a domi-

nance at half-back, centre and, when Campese is on song, out in the darkest recesses of the three-quarters.

Will London show us the tactical nous to beat the All Blacks? I doubt it. While much bar-room talk has been centred on Jeff Probyn's reinstatement in the front-row, the game will not be won there (besides which, as far as England is concerned, Vicar Ugo is now a more complete player). It will be won by the middle five; that is, the back rows and the half-backs. In these positions, the All Blacks have the edge.

Of New Zealand's new boys, former All Black fly-half Wayne Smith says: "Marc Ellis is outstanding. Perhaps his versatility is a problem but he has immense potential." We shall have to wait until mid-week to see him, however, as Steve Bachelop is preferred today at first five-eighth (the New Zealand team for fly-half: the inside centre is the second five-eighth).

Without Grant Fox, the All Blacks have the potential to play a wider game; but if they lose their confidence, and if a kicker of goals does not emerge, they will move inside centre Lee Steenson to fly-half in the Tests. Laurie Mains, the coach, is a dour man who fears failure.

The tour itinerary leaves some questions unanswered. Why was the Lions tour to New Zealand "so murderous" (to quote former All Black captain David Kirk)? How come the Rugby Football Union has agreed to play five matches in England without the sixth being the Test match?



Here's lookin' at ya, kid: All Black fullback Matthew Cooper gets a worm's-eye view of teammate Stephen Bachelop during training after arriving in London this week for the New Zealanders' 13-match tour

Instead, the All Blacks will head north to play three matches against various Scottish sides before meeting Scotland. That means eight games before a Test, for England, it will be 10 games before their international. The authorities are being extraordinarily generous to their visitors.

The answer must be the workings of the four home unions and their tour committee. With players grumbling already about the demands on them this season, it does make some kind of sense to move the international season to April and play it over four successive weekends on both Saturday and Sunday. (In New Zea-

land, the provincial championship does just this.)

This must be on the minds of sport executives at the BBC, ITV and Sky, the three companies pitching for the television rights to rugby for 1994 and beyond. Indeed, Geoff Cooke, the England manager, earlier this month called the Five Nations championship too incestuous and suggested including Romania and Canada.)

If rugby is to become global, then some of its tradition must be re-shaped; after all, the Derby is to move to a Saturday. The Five Nations should become the Ten Nations and embrace America, Italy,

Romania, Canada and Spain in two leagues, with promotion and relegation. This would truly benefit northern hemisphere rugby.

In essence, the problem for England is that it has become too successful. It does not need the protection of the four home unions. It could have its own more lucrative television contract. It could certainly demand that, in future, it plays three Tests on tours against South Africa, Australia or New Zealand - something the present understanding prevents it from doing.

By default, the existing set-up favours the incoming tourists. How typically British.

## Tennis Hong Kong produces another winner

**P**ERHAPS it was an omen of better times ahead for Chris Patten in his delicate negotiations with China. When the governor of Hong Kong lunged for his winning backhand volley on the centre court at Victoria Park, the pecked stands rose to acclaim him.

For a man who has only recently resumed his acquaintance with tennis after a long absence, it had been a brave decision in the first place to agree to appear alongside India's Vijay Amritraj in the One Million Dollar Challenge.

This charity match against US ace Roscoe Tanner and the chief secretary of Hong Kong, Sir David Ford (no mean player himself, by the way), was part of the festivities at the annual Marlboro championships to mark the 21st year of professional tennis in the colony.

I have to report that the governor has a respectable forehand and a cunning lob on the backhand, plus the ball sense and movement of a natural athlete. He also possesses the sort of determination and shrewd tactical awareness that one would expect from a man who faced constantly faced

with having to make difficult decisions.

The occasion was suitably worthy: the presentation of a HK\$1m cheque to the Tennis Foundation of Hong Kong, a non-profit organization within the Hong Kong LTA which exists to further junior tennis development.

Together with the surplus from this year's tournament - which, like the Wimbledon surplus, is ploughed back into the grass roots of the local game - the foundation will have collected some HK\$10m since it was formed in 1988.

Times were not always so prosperous, nor organised so smoothly. "We took the plunge in 1972, the fifth year of open tennis," remembers Ken Catton, a one-time Hong Kong government servant and former president of the HKLTA who has been responsible for bringing the professionals to Hong Kong every year since.

"The total prize money that first year was \$10,000. Our star player, Pancho Gonzalez, was flown out from Los Angeles by Cathay Pacific, our joint sponsor, but when I went to meet his flight I discovered that Pancho was not on it. Total panic!

"Frantic phone calls revealed that a family tragedy had delayed him but, true professional that he was, he arrived the next day and he won the final where he lost a marvellous match against the Australian Davis Cup stalwart, Mal Anderson."

The ambitious decision in 1973 to join the newly formed

our first champion. Despite the problems, everyone seemed to enjoy it. What's more, we broke even - a triumph for us at that stage."

The following year, a star cast included Ken Rosewall, John Newcombe and Tanner. But there was no final. Torrential rain washed out play altogether and Jack Kramer, the father of post-war professional tennis who had been flown in to commentate on the final for television, found himself under an umbrella.

Back in Hong Kong as a guest of this year's anniversary tournament along with Fred Perry, Neale Fraser and ITF President Brian Tobin, Kramer was in reflective mood. "It was such a shame," he said. "They had worked so hard to produce a fine tournament and had sold all the tickets."

More difficult was the decision about distributing the prize money. "There was nothing in the rules," said Catton. "Eventually, we agreed to divide it equally among those still left in."

After a \$50,000 loss in 1975, carried jointly by Catton and a local benefactor, the late M.W. Lo, a decision was made the

following year to form the Hong Kong Tennis Patrons' Association which, it was hoped, would involve the local business community in supporting the annual tournament.

That aim was achieved quickly but, even with the support of two blue chip sponsors, Colgate Palmolive and Seiko, the next 12 years were spent frustratingly in the wilderness of the second-tier Grand Prix events. Seven successive appeals to the Men's Professional Tennis Council, to be included in the Super Series category, were denied.

In 1988 the HKTPA, supported now by Philip Morris, decided reluctantly to become a special event outside the official circuit under the Marlboro banner. The decision proved an instant success. With the best players now available, the crowds flocked to Victoria Park to see some memorable matches involving former world No. 1 Stefan Edberg, the ever-popular Chinese-American Michael Chang, the Czech stylist Miloslav Mečíř (who won in 1988 and '89) and the three-time defending champion, Ivan Lendl.

This year's Marlboro, which finishes tomorrow, has included the world's top doubles teams to add a new dimension to an already successful formula. In the true innovative spirit of Hong Kong, the HKTPA has produced another winner as professional tennis in the colony comes of age.

**John Barrett**

## Sailing Maxis feel the heat in Whitbread tussle

**S**AILING'S great debate is over. Since the first of the new W60 class was launched two years ago, yachtsmen have argued about whether these light, water-ballooned sloops could beat the 85ft maxi-ketches in the Whitbread round the world race. With the Southampton-Uruguay leg just finished it is clear they can - and will.

"On the next leg, I think the W60s will be far away over the horizon," said Pierre Fehlmann, a skipper in five Whitbread's whose maxi, *Merit Cup*, finished third into Punta del Este, 8hr 22min behind the leg winner, *New Zealand Endeavour*. Tokyo, skippered by young New Zealander Chris Dickson, was the first W60 into harbour, three hours behind *NZ Endeavour*. With maxis taking first and third places, why does this make the W60s look so hot?

According to theory, only on the first and fifth legs, with a good deal of close reaching and upwind sailing in light airs, could the bigger yachts exploit their greater displacement and massive sail area. Weather conditions matched predictions almost exactly on the 5,500-mile route down through the Atlantic. Maxis like *Merit Cup* and *NZ Endeavour* should have arrived in Punta days in front of the smaller boats.

Tokio, *Galicia Pescanova*, *Yamaha*, *Winston* and *Intrium Justitia* were the first five W60s to arrive, in that order and separated by 12 hours from first to last. All are from the board of Maryland-based designer, Bruce Farr. Their skippers agree there is nothing between them in performance, with crewing and tactics being the difference.

Physically, the leg was easy, said helmsman Gordon Maguire from *Winston*, but mentally it was gruelling. "We've just sailed 24 incredibly competitive day races back-to-back," he added. "Most of the time, we were within sight of *Yamaha*. At night, we'd plot them on the radar." The two yachts seemed tied by an invisible string.

A constant stream of satellite data put the other items in the matrix together. This race through the wildest corners of

the world's oceans is being fought below decks around the computer and the weather fax. "It is like a chess game," said Dickson, who led the fleet out of the Solent on September 25. "We would receive the reports. Then, Andrew Cape, the navigator, and I would go over all the available weather patterns and try to find the best tactical course in relation to what the opposition were doing."

"Each session took two to three hours of analysis and discussion. So, with new reports coming in every six hours, you could never relax and snatch more than a couple of hours of sleep. It was like match racing 24 hours a day, but you couldn't go home at night."

Grant Dalton, skipper of *NZ Endeavour*, found the reports addictive. If the scheduled transmission was even a few minutes late, he and navigator Mike Quiller would find themselves staring impatiently at the computer waiting for the data print-out.

"Whoever sends those things out, tell them not to be late," joked Dalton when he stepped ashore. "It's fantastic to know straight away whether you're heading into a gain or a loss." One of his crew, Glenn Swamy, likened the arrival of the transmission to waiting for school exam results.

According to one or two crew aboard *Endeavour*, though, there was almost more interest in how the finely-balanced W60s were faring than in their own boat's stately leadership of the fleet. "I feel sorry for those guys in the maxis," said a watch leader from one of the W60s.

"Only two of them are really in the race and it's obvious now that *Merit* is slow and *Endeavour*'s going to win." This, a remarkable comment for so competitive a sportsman, came from Fehlmann as soon as he stepped ashore when he admitted that *Merit Cup* had a speed problem.

"Downwind when it's blowing hard, *NZ Endeavour* is a bit faster than us, maybe 0.3 or 0.3 of a knot. It's nothing," he added. With due respect to the hugely experienced Fehlmann, 0.3 of a knot disadvantage over the next 7,500-mile leg to Australia (all downwind and nothing much below force 6) will put him into port nearly a day behind the opposition.

Almost all the W60s are looking to add an extra crew member for the Southern Ocean legs, taking them up to 11. Gorillas and winch-grinders need not apply. It says everything about this Whitbread that the skippers are looking for more brain-power rather than extra muscle.

### Keith Wheatley in Uruguay looks at the lessons of the first leg

the world's oceans is being fought below decks around the computer and the weather fax. "It is like a chess game," said Dickson, who led the fleet out of the Solent on September 25. "We would receive the reports. Then, Andrew Cape, the navigator, and I would go over all the available weather patterns and try to find the best tactical course in relation to what the opposition were doing."

"Each session took two to three hours of analysis and discussion. So, with new reports coming in every six hours, you could never relax and snatch more than a couple of hours of sleep. It was like match racing 24 hours a day, but you couldn't go home at night."

Grant Dalton, skipper of *NZ Endeavour*, found the reports addictive. If the scheduled transmission was even a few minutes late, he and navigator Mike Quiller would find themselves staring impatiently at the computer waiting for the data print-out.

"Whoever sends those things out, tell them not to be late," joked Dalton when he stepped ashore. "It's fantastic to know straight away whether you're heading into a gain or a loss." One of his crew, Glenn Swamy, likened the arrival of the transmission to waiting for school exam results.

According to one or two crew aboard *Endeavour*, though, there was almost more interest in how the finely-balanced W60s were faring than in their own boat's stately leadership of the fleet. "I feel sorry for those guys in the maxis," said a watch leader from one of the W60s.

"Only two of them are really in the race and it's obvious now that *Merit* is slow and *Endeavour*'s going to win." This, a remarkable comment for so competitive a sportsman, came from Fehlmann as soon as he stepped ashore when he admitted that *Merit Cup* had a speed problem.

"Downwind when it's blowing hard, *NZ Endeavour* is a bit faster than us, maybe 0.3 or 0.3 of a knot. It's nothing," he added. With due respect to the hugely experienced Fehlmann, 0.3 of a knot disadvantage over the next 7,500-mile leg to Australia (all downwind and nothing much below force 6) will put him into port nearly a day behind the opposition.

Almost all the W60s are looking to add an extra crew member for the Southern Ocean legs, taking them up to 11. Gorillas and winch-grinders need not apply. It says everything about this Whitbread that the skippers are looking for more brain-power rather than extra muscle.



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## PERSPECTIVES

Minister for a Day

## Guns blazing on the 6pm news

I HAVE scarcely sat at my desk before one of the assistant secretaries enters with a huge pile of briefs; reading material that would occupy the whole day. I select only the summary of departmental cuts and consequences asked for in advance. The conclusions are chilling.

When the chiefs of staff and permanent secretary come in, I suggest that we lack resources to meet the commitments published in the 1993 Defence Estimates. Setting aside the case of general war, the ability to respond to lesser contingencies seems to assume that these will arise conveniently, one at a time.

What would be the effect, I ask, of the following arising simultaneously: the requirement for a British division in Bosnia-Herzegovina, with neighbouring sea and air elements, as part of an international policing operation; increased violence in Northern Ireland, for example, random battles between armed Protestant and IRA groups; and the provision of, say, a fire service as in the firemen's strike in the late

1970s? My tentative conclusion is that this triple demand would exhaust the complement of field engineers and logistic units.

While accepting that enough ships, battalions, and air elements

vations on these points this afternoon, not later than 3 pm. They leave rather wearily, spending hours with their staff in such pursuits, often fruitlessly. I hope to offer them some return on this occasion.

almost a mischievous - ministerial minute concluding that the collapse of the Warsaw Pact removed the necessity of maintaining rounded defence forces. This inevitably opened a breach for Treasury

ment programmes to mitigate cuts in defence manning. This is abandoned in the current plan. Contracts bind the ministry to continuing procurement, but these will simply replace outworn or obsolete items. I reflect that, if money is short, this is probably as it should be. It will pay the services to sweat out lean years with a sufficiency of seasoned men and pay for their retention by trimming equipment demands. Unfortunately, the equipment savings have been made with out benefit to manpower.

Eschewing a haggis sandwich left by a predecessor, I eat hard cheese. This reminds me of a fustie I intend to light.

Personal allowances continue to be sacrificed to savings, transferring public expenses to private pockets. Moreover, those extant are often subject to extraordinary accountability, not because there is growing evidence of fiddling, but in order to satisfy penny-pinching qualifications. My guess is that we have disposed of a host of scrutineers whose collective wages exceed any

*The start of a new series in which we ask prominent people to imagine themselves as a government minister for a day. General Sir Anthony Farrar-Hockley imagines what he would do if called on to become defence secretary.*

might be scraped together to meet the initial bill, it would be difficult to find replacements for them after a tour of duty, say six months.

Looking further into present circumstances, I note that units of the field Army are mostly moving from one active commitment to another, leaving little time to train for the roles they are expected to fill, from gendarmerie operations to general war. Is this equally true for the Royal Navy and Royal Air Force? I ask the chiefs to send me obser-

sion. The permanent secretary remains behind. As chief accounting officer, he duels with the Treasury. I make it clear that I am looking either for a reduction in commitments or an increase in resources. We agree that the government is strapped for cash and that party pressure is not going to ease that position.

I put this point to him: facts and figures persuade me that the helicopter reduction of the armed forces began with an irresponsible -

exploitation. Why do we continue to deny that the defence cuts are Treasury driven? All departments are properly subject to funding constraints. He reminds me that he cannot answer for former ministers.

Meantime, details concerning defence equipment have been brought in. I ask my private secretary to hold off callers while I study them. I agree to hold a press conference at 6pm.

The Options for Change policy promised improvements in equip-



Farrar-Hockley: full of fighting spirit after an IRA bomb was defused at his home

savings accrued. I order a review of this entire subject.

At 3pm the chiefs answer to the queries I made this morning. They confirm my apprehensions. Even if we send a brigade rather than a division to Bosnia-Herzegovina, we shall be in immediate difficulties should concurrent claims arise. I write an advisory note to my colleague, the Foreign Secretary.

At 5 pm, I tell the press that the armed forces cannot meet the commitments declared to parliament. I have therefore cancelled the remaining Options for Change and have opened a defence review. Disengaging myself from questions, I drive home. My wife is just answering the telephone. It is the prime minister. He has been listening to the early evening news...

THE WAR in Bosnia has become so complicated that most of us have given up trying to understand it. But the majority of people have one abiding impression: that the Moslems are the main victims, the people who have suffered more than anyone else.

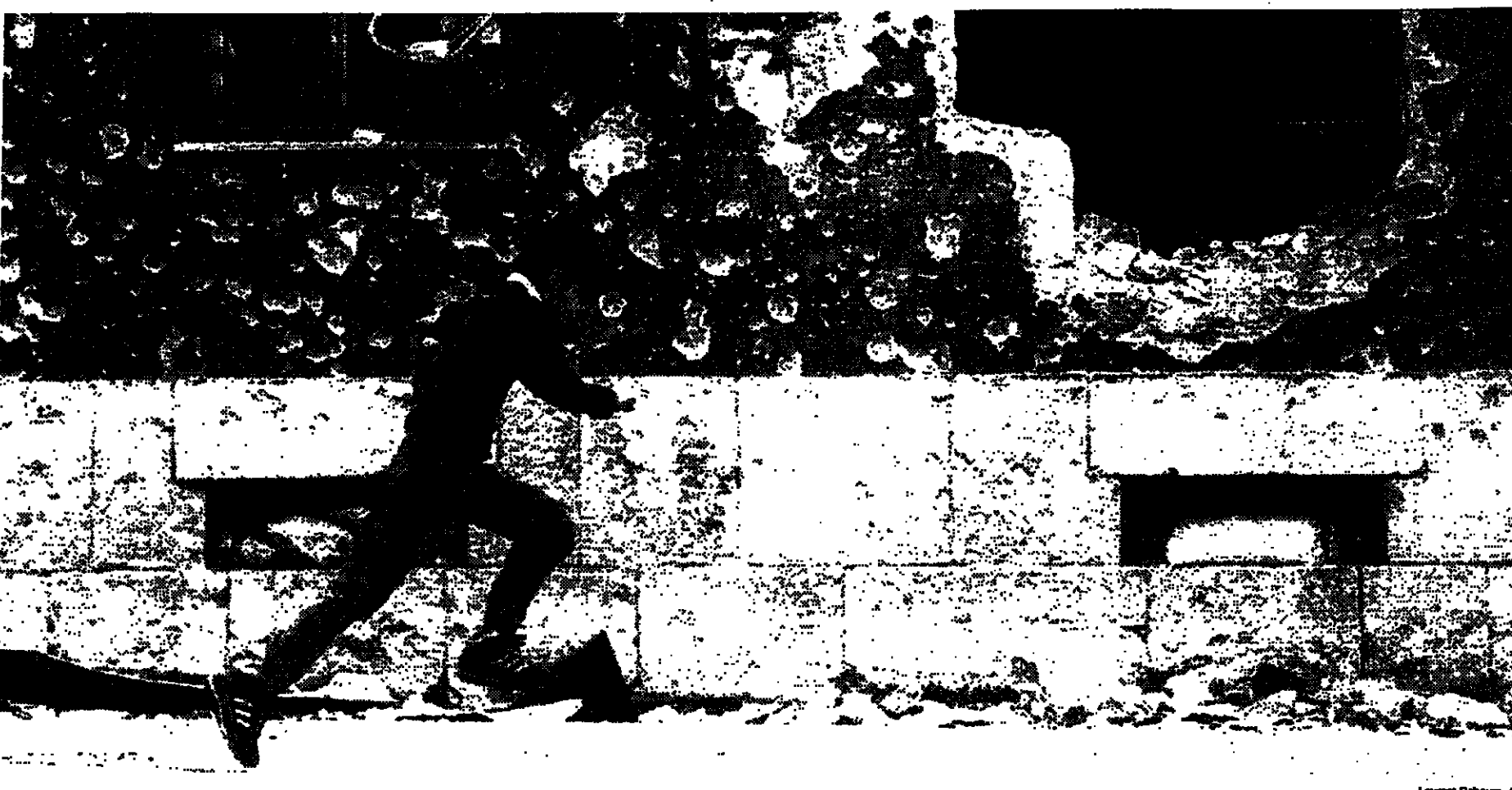
That is why the Seventeenth Brigade is remarkable. It is the brigade of victims turned soldiers. Nearly all the men in it are Moslems who were expelled by the Serbs from Northern Bosnia. Most have spent time in brutal Serbian detention camps such as Omarska where, they say, they were treated inhumanely. They came to Travnik 16 months ago, and there they formed a brigade to fight their oppressors.

That is where they first entered the public eye. When the fighting started a few months ago between the Bosnian army and their former allies, the Croats, the Seventeenth Brigade and the Bosnian army won. One result of their victory was the exodus of most of the Croats from Travnik, where they had made up more than 40 per cent of the population. The other was the establishment of the brigade's reputation as a formidable fighting force.

I met the general who commands this brigade in a field of crouches overlooking the plain where his soldiers were fighting the Croats around Zenica. It is an idyllic place - or would be if it was not for the sound of shells exploding behind us. Getting to him was an arduous, roundabout business. First, I had been with the Croatian army in Gornji Vakuf, then I had gone to Vitez. From there I had walked across the front, from the Croatian side to the Bosnian army, where the soldiers took me to Travnik. From Travnik there had been a bumpy trip at breakneck speed - "we have to drive fast to avoid snipers" - in the military police commander's precious VW Golf, through steep little villages, behind flocks of sheep, across fields where you would normally hesitate to take a Land Rover, to the general, sitting in a tranquil meadow.

The general's name is Mehmet Agic - Aga to his men - and he is a former dancing master in a military academy. "It was such a good way to meet girls," he said. We sat on a wooden bench, he gave me a cigarette and a soldier brought us cups of warm milk. Aga is a commanding presence and a tremendous flirt.

He does not talk the language of compromise. I asked why it was that the brigade, made up of men who had been dispossessed by the Serbs, were now fighting the Croats. "We are the army of Bosnia-Herzegovina," he said simply. "The



A Moslem boy runs for cover from snipers in the Bosnian conflict. Now a brigade has been formed of Moslems who were expelled by the Serbs from Northern Bosnia

## Victims who want to soldier on

Melanie McDonogh meets a formidable brigade of men in Bosnia

legal army. We fight wherever the fascists - the Chetniks (Serbs) and Utashas (Croats) - try to kill Moslems. Every weapon of theirs is a weapon to kill Moslem people."

The brigade has remarkable morale - it is so short of petrol that the soldiers have to walk to the front, but one of them bragged that because of this they had "the best legs in the Bosnian army".

If the Geneva peace-dealers are hoping that hunger and desperation will cause the Bosnian army to compromise, an encounter with the brigade would fill them with gloom.

"We have nothing," said Aga cheerfully. "Just morale and a hard bite. But we can live without French chocolates. We don't want to live in another country. We want to live here. And if necessary, we will eat the flowers in the field before we give in."

He took me to see the terrain

stretched out below. One of the soldiers gave me an apple; another, a handful of walnuts. I had expected before I came that the soldiers in this unit might have been brutalised by what they had been through. But to a stranger, they could not have been kinder.

The dehumanising experience of the camps and dispossession has left its mark, however, even though the commander insists that he does not want revenge. One officer in another unit in Travnik said bluntly of the men in the brigade who had been in Omarska: "They are full of hate."

I met some of them. A soldier who had been in the detention camp for 70 days recalled that they were beaten every day. "Every day we would get the Serbian message," he said, tapping his shoulders behind the neck. "And every day the lorries would come and take away the

dead. But I'm getting my own back now."

"But," I said, "you are not fighting the Serbs here."

"We will," he said. "The Serbs are afraid of the Seventeenth Brigade." For all that this brigade has little hope of attacking the Serbs, who are for the most part solidly entrenched and well-armed in what is now the Serbian Republic, many are homesick for the towns from which they have been expelled.

I told them I had been in the region a little while ago. They crowded round me asking questions. What was it like in Banja Luka? Was the town much damaged? Were there any mosques left? The answer to that last question was "no".

I cannot say that most of the men I met were fundamentalist Moslems; especially on the subject of drink,

velled women and mosque attendance. Most, if asked, estimate the number of fundamentalists in the army at around 10 or 20 per cent.

There are a few Croats and Serbs in the brigade, and the odd foreign volunteer. One Moslem, aged 17, introduced me enthusiastically to his colleague, a Serb. "The best," he said, clapping him on the shoulder. "Are you an Orthodox?" I asked him. "No, a Moslem," he said ironically. "He's lying," they chorused.

The losers around Travnik, obviously, have been the Croats. I passed through several villages on the way to the commander where the houses had been gutted. "Croatian houses," I asked the young soldier with me. He shook his head. "HVO houses," he said, referring to the Croatian army, which presumably had tried to defend them. For the Croatian community, however, the distinction cannot have been

that obvious. But, to the credit of the Bosnia army, the Roman Catholic churches in those villages are still intact.

The fighting in which the brigade has taken part has been ugly, fought with ferocity that you only get between old allies. I told a couple of soldiers about the stories I had heard on the Croatian side about finding the mutilated bodies of their comrades. "Listen," one of them said. "I've seen the bodies of our men with their eyes gouged out and their arms hacked off. I found one soldier on the other side with his pockets full of ears."

None of the brigade gets paid. The men get just their uniforms, food and four packets of cigarettes a month, bought from the Serbian troops on the mountains nearby. "All we have got is big hearts," one said. "If we had weapons as well, nothing would stop us."

NO WEAPONS, I told the three Somalis who had volunteered to drive me across the no man's land that separates the warring fiefdoms of north and south Mogadishu.

They were incredulous. How were they to protect me? Hadn't I heard of an area called the Bermuda Triangle, where people disappeared, never to be seen again? I repeated my request, this time trying to suppress the nervous edge that had crept into my voice. Reluctantly, the teenager who had been toying with an AK-47 rifle gave it to a friend for safekeeping.

We set off. I was curious to discover what Somalis thought and felt on the other side of the Bermuda Triangle. Since May, the western media had focused its attention on south Mogadishu, where a rebel militia leader, Gen Mohamed Farah Aided, was waging an urban guerrilla war against 14,000 US and UN troops. In the north, however, Aided's arch-rival had chosen to co-operate with the UN forces by handing over an acceptable number of his heavy weapons. Ali Mahdi had, therefore, been spared the nightly air raids that had terrorised south Mogadishu as the UN attempted to flush out Aided and his militia.

But the tide had turned in Aided's favour. During a pitched battle in mid-October, his militia had shot down two US helicopters, killed 18 crack US troops and cap-

tured one of the downed pilots. Pictures of Somalis dismembering the corpse of US soldiers had shocked television viewers across America. President Bill Clinton, under pressure to stop the carnage in Somalia and to secure the release of the US hostage, had sent a special envoy to negotiate with Aided.

The situation, therefore, was not looking good for Ali Mahdi. I sought him out at his headquarters, a solid red-brick building which, a young guard told me in hushed tones, had once housed the dreaded secret police of the Siad Barre dictatorship. Aided been a prisoner there for six years.

Two larger-than-life posters, depicting a handsome, light-skinned man with a Clarke Gable moustache, proclaimed Ali Mahdi as Somalia's "interim president". On the top floor a cluster of people hovered outside the interim president's office, and inside, a chubby man sat at the head of a conference table. I recognised the moustache.

He came straight to the point: "I

hope the international community will not commit the crime of regarding Aided. How can you negotiate with a man who has killed 70 UN peacekeepers and thousands of Somalis? Aided has always broken his agreements. A

truce will only buy him time to regroup his militias."

He looked like a man whose luck had run out after gambling on the wrong horse. He had welcomed the UN military intervention in Somalia, and now President Clinton was planning to withdraw his troops in six months' time.

He did not hide his alarm: "If the US pulls out without disarming Aided, the war and starvation will start all over again."

At the Indian Ocean Bar and Beach Club, the new owners did not

want to see a return of the anarchy which had destroyed their city. Yes, they admitted, they had been bandits in the bad old days. Looting, after all, had been the only way to survive. But all they wanted now were regular customers and a quiet

life. We ordered soft drinks and surveyed the beach front. Every mansion with an ocean vista had been blasted by mortar shells or pockmarked with bullet holes.

Yahia Amir, a lecturer in economics before the civil war, tried to explain. "The UN has good intentions, but their interference in Somali politics is disastrous. It is not enough to understand the tradition of different clans; you also have to know the relationships between different families. Aided and Ali Mahdi belong to the same

clan, but to rival sub-clans. Alliances can change overnight. It is even difficult for Somalis to follow."

It was also difficult for them, the proudest race in the Horn of Africa, to acknowledge a debt of gratitude to a foreign occupation force. "We don't understand UN policy," said one of my guides. "They bomb us by night and feed us by day."

More than 1,600 orphans were being fed at a nearby orphanage, named "Restore Hope" by the US Marines who had captured the bombed-out premises from Somali militias. They stood in line, dressed in western cast-offs. They attended school seven days a week.

"We are trying to restore some sense of order to their lives," Salim Mohamed, the headmaster, explained. In the crowded classrooms, hundreds of tiny voices chanted the alphabet in English, numbers in Arabic, or songs in Somali. The school lacked a roof, and like the rest of Mogadishu, it had no electricity or running water. But a generator had been installed

to pump water from a well.

Despite its appearance, the school felt like an island of sanity amidst so much devastation. It reminded me of a different island across the city - the 80 acres of the UN compound cut off from its hostile environment by barbed wire, sand bags and high walls. Inside, hundreds of UN officials, special policy advisors and military personnel search for a rationale to their presence in Somalia. They rarely venture outside the compound; Aided's snipers have made it too dangerous.

The compound resembles a vast building site, where 2,000 Somalis labour to erect offices and dormitories, kitchens and toilets for the foreigners trapped inside. Unable to rebuild Somalia, the UN is building its headquarters to create an illusion of purpose and permanence in this strange land.

Back in north Mogadishu, it was getting late and my guides were growing restless. We still had to run the gauntlet of the Bermuda Triangle, and it was best to do so before dusk. The driver also needed his daily fix of chat - a bitter, leafy stimulant responsible for the recklessness of gun-toting militias.

The roads were deserted except for heaps of tyres and rusted masonry that slowed our dash across no man's land. We all breathed a sigh of relief when the Pakistani checkpoint came in sight. The soldiers motioned us to stop and searched the car.

"No weapons," I said.

## Chess

## Honour and defeat

In the end, it was an honourable defeat in a match of two halves. Garry Kasparov retained his FIDE world title at London's Savoy Theatre by a 12½ - 7½ margin, six wins and 13 draws against a solitary win for Nigel Short.

The champion collects £1.06m of the Times' £1.7m prize money, but Short recovered well from a dreadful start. Short held his own over the final eleven games, the only player apart from former champion Anatoly Karpov to do so well against Kasparov, the all-time Number 1.

There are two ways of looking at the result. The match was effectively decided when Kasparov won three of the first four games, and some believe he simply coasted to victory. But Kasparov himself admitted dissatisfaction at not being able to crush his opponent, and he seemed fatigued during the last few games.

"Nigel's strategy was to tire Kasparov out," says Short's sacked guru, Lubomir Kavalek. "It was really working near the end of the match, but by then Kasparov was too far ahead. Nigel was well prepared, but he missed opportunities through nervousness."

If Short had taken all his clear winning and drawing chances, he would have been leading by one or two points after 20 games rather than contemplating his 2640,000 loser's cheque. Kasparov's future opponents will note how Short successfully defied classical strategies by gaining active pieces in return for weakened pawns, and that the Russian was uneasy in such positions. Kasparov's legend of invincibility is dented, if not damaged, while Short can reasonably contemplate another challenge in 1995.

Off board, the championship has been hyped on Channel 4 and in The Times, and denigrated by that newspaper's rivals. Seat prices at the Savoy were heavily discounted from their original £45 minimum, but then daily audiences stabilised at about 600 daily even when Short's situation was hopeless.

Television audiences settled at a healthy 600,000, viewing both Channel 4, whose one-hour live commentary broke new ground, and BBC 2. Dealers in chess equipment report large sales increases. But the London Chess Festival, scheduled to run alongside the championship, was a disappointment. The Times was forced to abandon all but a handful of events.

It may be a long time yet before the controversies surrounding the match are finally settled. In a few weeks' time, the breakaway Professional Chess Association, founded by Short and Kasparov, holds its first qualifier to decide Kasparov's next challenger in 1995. Then the official Fide world body, whose champion is likely to be Kasparov's old rival Karpov, stages its own elimination matches.

The escalating costs of this expensive war are certain to strain the resources of both organisations. Although Kasparov and Short are proclaiming that their match has begun a brave new world where chess is free from the Fide bureaucracy, the reality is more likely to be, at best, an eventual truce and merger between Fide and the PCA. At worst it may be a return to the days when champions personally chose their challenger and often dodged their strongest rivals.

Chess column: Page XXI

Leonard Barden

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PLAGE



FASHION

# The Brits are back – but they're broke

Avril Groom finds a shortage of finance but no lack of wild and witty talent at the spring shows

LONDON FASHION is a tale of the unexpected. The best of its shows for spring 1994 last weekend was not about clothes but about hats, the first catwalk presentation of young Philip Treacy's impossibly balanced, light-as-air, net and feather explosions.

Even Valentino, favourite couturier of Hollywood stars, shoehorned himself in among

the students and hangers-on for the hour-late show in a small, crowded venue. The Roman designer uses Treacy's creations in his shows.

Also doing London for the first time in years was Elin Saltzman, top buyer for New York's chic Bergdorf Goodman store. And erstwhile super-shopper Ivana Trump turned up for Tomasz Starzewski, darling of the ladies who lunch

and the nearest British equivalent to Valentino.

The international interest proved that the buzz is back – that, in spite of the gloom six months ago when the Department of Industry withdrew its backing for the London shows, Britain's cottage industry designers are again hot news. This is due primarily to a rash of bright new names sending out original, cleverly-made and wearable collections.

The makings of the revival were there last season when the British Fashion Council backed a group of first-time exhibitors who attracted buyers like bees round a honey-pot while better-known names had a quiet time.

Not that huge financial rewards resulted. None could afford a show this time but to the rescue came Harvey Nichols department store, in association with American Express, and new the Covent Garden fashion venue, Space NK, which put work from the best new designers, plus a selection of this year's top fashion graduates from across Europe, on the catwalk. The flow of talent showed that London is again the place for buyers to seek out new ideas, and silenced any argument that, as Paris is so near and communications continually improving, another Northern European fashion capital is not needed.

The young "green shoots" argue that it is. Some were nominated for the New Generation section of this year's Lloyds Bank British Fashion Awards – and one, Abe Hamilton, won it – but they are all small-scale and not ready for the expensive shows in Paris. Even the new Designer of the Year – John Rocha – is hardly a household name, even though he has had his company on and off for 10 years.

All last time's debutantes are still in business, although it has been tough. They do not talk of turnover because they do not yet have one. Several live in their studios and started by signing on to unemployment benefit to become eligible for a £50 per week enterprise allowance. They are



Black and navy velvet waistcoat, £275, fuchsia velvet trousers, £208, both by Selina Blow from Whistles, Harvey Nichols and Browns, South Molton Street, W1. Grey silk top, £38 from Whistles. Hat by Philip Treacy, £175 from Joseph.

Hair and make-up by Vicki Partridge for Jo Hansford, Mount Street, W1. Pictures by Chris Craymer

learning the tricks, like negotiating the best minnow's deal with big-fish international retailers, and the disappointments – an enthusiastic call from a swanky American store does not necessarily equal an order. They would like, but cannot afford, someone else to take on the business headaches and they all worry about the balance between commercial expedience and creative satisfaction.

No one doubts their talent but commercially some are learning the hard way. Abe Hamilton, who financed his first collection in 1990 with gardening and cleaning jobs, found drawing up a strong contract for customers, with discounts to quick payers, was the only way to keep his cash flow going. Ex-Royal Marine Paul Frith and double-act Sonnetag Mulligan, showing their

concentrate creatively on one-off specials and a small resort collection, too late to get most of it made elsewhere. Whether he can afford the luxury of that decision remains to be seen.

Whatever the problems, no green shoot has any intention of compromising either the quirky individuality which so appeals to foreign buyers or the quality of their work, though, as Selina Blow – whose jackets, made by traditional men's tailors, can take three days to complete – puts it: "In order to survive, one day we may have to forget the romance and get real."

A few manage to keep the romance and hit the big-time. Every designer wants to show in Paris and those two fashion iconoclasts, John Galiano and Vivienne Westwood, are ready for the world stage and an all-action supermodel show. Their spring shows last week were the talk of Paris for their blend of wild theatricality, historical references and translatable ideas shot through with a defiantly British streak. For Galiano this meant an affectionate evocation of aristocratic novelistic heroines and for Westwood a glimpse of London café life in the Naughty Nineties.

In spite of such talent, neither has found wealth. Self-financed Westwood has three London shops and her designs appear in big stores across Europe and the US, but after 20 years her business is only now reaching a stable footing. Galiano is still dependent on backers' whims and from the prodigious beauty of his collection probably only the fragile, lingerie-style bias-cut dresses and Biba-esque tailoring are commercially viable.

None of this deters the next generation. New graduates, hungry for experience in production and marketing, want to work for established companies and then start a business.

Of the four British graduates in the Harvey Nichols show, Miranda Tsui has a job abroad with MaxMara, Sonja Nuttall has joined a business already started by her partner. Talented menswear designer Tim Voegele is still sifting offers



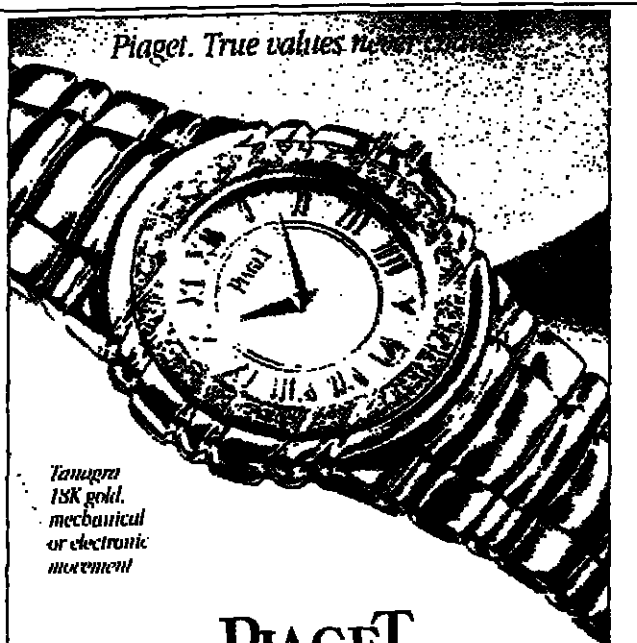
White cotton shirt, £120, black wool crêpe apron, £140, both by Copperwheat Blundell from Harrods Way in, London SW1, Harvey Nichols, SW1 and Questionnaire of Wimbledon. Hat by Philip Treacy, £200 from Joseph, Brompton Road, SW3 and Sloane Street, SW1. Boots, £175 from Russell and Bromley



Brown panne velvet top, £180, matching trousers, £145, cream organza overskirt, £270, all by Abe Hamilton from Joseph, Whistles, St. Christopher's Place, W1 and Glasgow, Space NK, Earls Court, W2 and Something of Oxford. Shoes, £89.99, from branches of Russell and Bromley. Bodytuner tights by Aristoc, £3.99



Boned corsets and crocheted tassels from Vivienne Westwood. Catwalk pictures: Neil McInerney



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Fine feathers on a spring hat, by Philip Treacy



Chiton with a stretch, from John Galiano

second collections, still find getting paid and keeping their bankers happy a juggling act. Some fly by the seat of their pants. Vivienne Westwood's ex-assistant Nicholas Knightly took orders on his much-praised second collection but then withdrew from a possible manufacturing deal, "to con-

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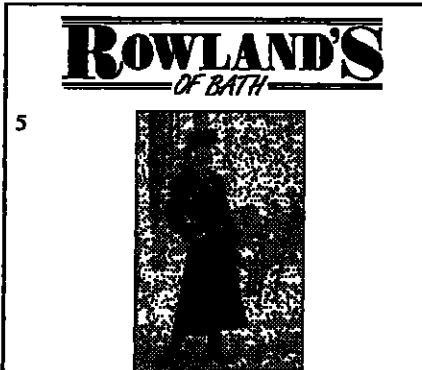
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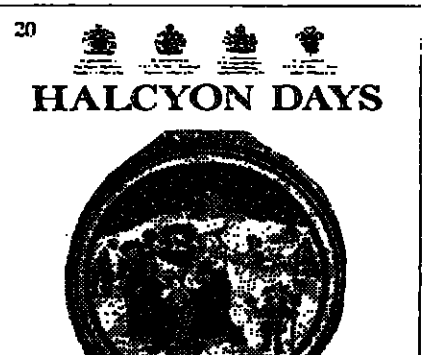
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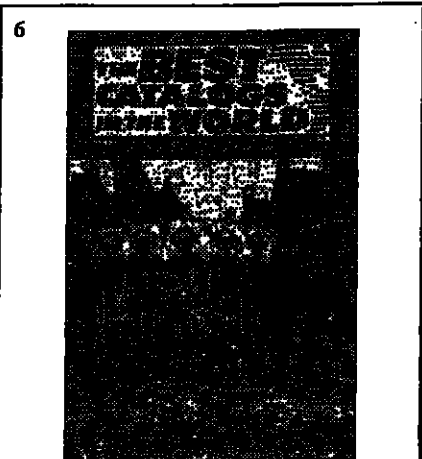
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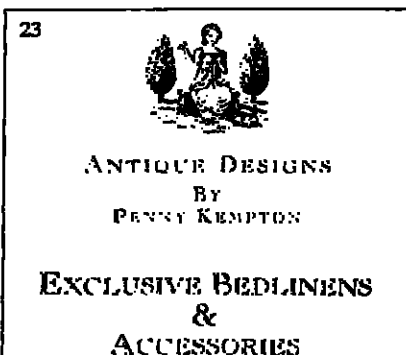
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# Essential Christmas Luxuries



## FT BROCHURE GUIDE

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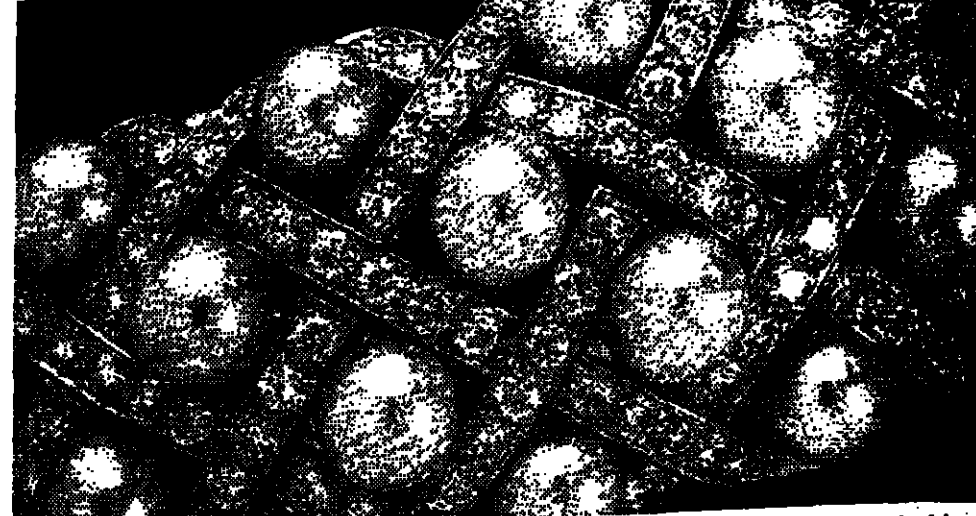
## HOW TO SPEND IT



One of the most famous designs from Coco Chanel's 1932 diamond collection, The Comet, is being recreated by the House of Chanel. "I wanted to cover women with constellations," said Mlle. Chanel. "With stars of all shapes and sizes to sparkle in their hair, tassels and crescent moons. See these comets, their heads resting on a woman's shoulder, their shimmering tails slipping behind the shoulders to fall in a shower of stars on the breast..." Made from 600 diamonds and platinum it is one of the most expensive pieces in the new collection, selling for about FF2.5m (£290,000)



Coco Chanel showing how to mix real and fake with great panache. All her designing life she tried to divest jewellery of its conventional value and to restore to it an "innocence" - that is, a value that had nothing whatsoever to do with intrinsic worth but everything to do with real aesthetic power



From the new collection comes a selection of pieces featuring quilted pavé diamonds, gold and pearls. A large bracelet sells for about FF900,000, a ring for about FF46,000

## From costume to fancy dress

Chanel has come full circle with its new collection of real gemstone jewellery, says Lucia van der Post

**N**OW HERE'S a thing. The founder of the house of Chanel, Coco Chanel, was almost single-handedly responsible for investing costume jewellery with the kind of chic that once pertained to real gems. But next week Chanel launches a sumptuous collection of jewellery that is flamboyantly, indubitably, gloriously real.

While today's working girls may be twisting ropes of fake pearls round their necks and wealthy socialites are trading in their diamonds for paste, Chanel is launching rings of peridot and amethysts and pearls, necklaces of diamonds

and platinum, of coral and hand-carved agate, of sapphires, rubies and emeralds, rings and bracelets of diamonds, quilted gold and pearls.

There is something outrageously grandiloquent about the move, a kind of perverse contra-cyclical decision which

cocks a snook at the recession and treats such dreary things with the contempt which Lady Bracknell reserved for people in found in handbags.

For those of us who remember Coco Chanel as the woman who changed forever our notions of elegance it is all quite a turn-up. She was the first truly modern dresser, the woman who cropped her hair,

who first saw the sense and comfort in soft jersey trousers and silky cardigans, who persuaded the world that wealth was not the prerequisite of style and that there was as much chic in a string of false pearls worn with panache as in any number of diamonds.

However, remember that she was not short of the real thing herself. Her lovers were many, legendary and either very rich or very grand, or both. Bendor, Duke of Westminster, lavished jewels of every kind on her and the Grand Duke Dmitri (alas, not very rich and, even worse, "looked marvellous but there was nothing behind it all - just vodka and void") gave her the

Romanov pearls which he had saved when he fled the Russian Revolution.

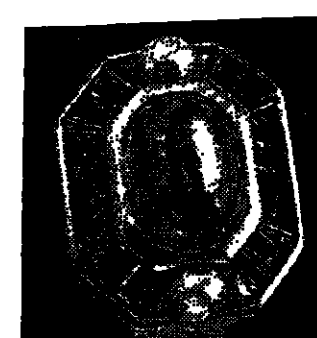
Sometimes she wore, others (notably the Romanov pearls) she copied. "A woman," she said, "should mix fake and real" and so she did, wearing Bendor's rubies and emeralds, (as in the photograph here) with a string of fake pearls and Verdura's enamel and pasta cuffs.

Above all she was against the banal, the timid, the meagre. She hated the jewellery-as-investment, the jewellery-as-status cast of mind, the vulgarity of huge solitaires set in rings ("One might as well tie a cheque around one's neck"). What she valued, above all, was panache.

In her own person - in the photograph here - her whole philosophy can be seen. Be bold, be adventurous, was her motto. Price is beside the point and so is the matter of whether it is real or fake - what really counts is the overall decorative, aesthetic effect.

And here, of course, is the point of the new designs. They may be real, they may cost a small ransom, but it is the brilliance of the designs, the skill with which they are made and the way they chime with the tradition of the House of Chanel which is their *raison d'être* - not the status they might confer upon their owner.

House of Chanel tradition has it that in the days of boom and opulence you sell glass



A faithful copy of one of Coco Chanel's own rings - featuring cabochon-cut stones (a choice of amethysts, peridots, citrines) and two Akoya pearls, it sells at between FF25,000 and FF30,000, depending upon the stones

depression reached its nadir - you decide that real jewels are fashionable again and have them glinting in your windows while everybody else is still brooding over bottom lines.

The House is already richly endowed with costume jewellery - its pearl and gilt earrings, its chains of gilt and pearls, its gilt crosses and watches have long been the staple of jet-set dressing. Now faithful fans with the banknotes to match can do as Coco Chanel herself did and mix the real with the fake.

The way to wear these new jewels then, for the lucky few who can afford them, is to wear them with the utmost panache. Mix them with strings of fake pearls, with great over-sized brooches of paste and gilt, with punchy crosses and glittering pins. When you choose the costume jewellery remember Coco

Chanel's adage: "When you make imitation jewellery, you always make it bigger." As Miss Piggy, glamour-girl of the Muppets, said in another context: "Less is more, is the silliest thing I have ever heard. Less is always less." And if you cannot afford them, console yourself with the thought that these days even Barbara Cartland has to wear fake because real diamonds do not look good on television.

Some of the pieces in this new collection are precise reproductions of pieces that Mlle. Chanel designed herself in the 1930s - these are mainly the diamond pieces which have been faithfully reproduced. Then there are precise copies of her own personal jewellery such as the ring shown here. Yet others, such as the coral and pearl necklace photographed here, echo original designs but, for reasons of cost, are made up out of different materials.

There is also an entirely new collection which takes its inspiration from the history and spirit of the House. The bracelets and rings, for instance, use the quilting theme so closely associated with Chanel's handbags, using platinum, diamonds and pearls to create the quilted effect.

Prices start at the equivalent of about £1,000 and go on up to £300,000 for the most expensive. For the moment the collection is available only at Chanel, 7 Place Vendôme, Paris 1 and 40 Avenue Montaigne, Paris 8. Anybody who can afford the jewellery, reasons Chanel, can afford the flight to Paris...

## NORTON &amp; TOWNSEND

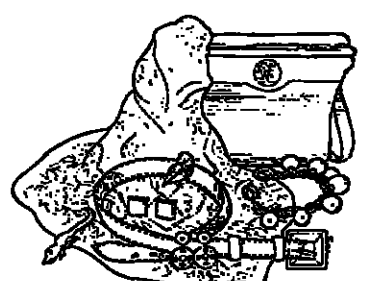
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## PROPERTY

## A dormitory for the world

**T**HINK OF Surrey and you might bring to mind the Oval, home of the county cricket club with its base in south London next to a gas tank. Or the annual university boat race, with either Oxford or Cambridge taking the Surrey station. Or the chalky North Downs that form Surrey's natural frontier with the sticky clay of the Sussex Weald to the south. Or commuters...

In the last century, the railways turned Surrey from a place of farms and market towns into a dormitory for London. Cars continued the work, bringing arterial roads and ribbon development. Now, set between Heathrow and Gatwick airports, it is a dormitory for the whole world. But look again. It is extraordinary how much countryside survives.

Between the old and new Surrey is the county of architect Edwin Lutyens and garden designer Gertrude Jekyll. Many of his houses are expanded cottages, built in the traditional materials of south-east England. He loved the mixture of half-timbering and brick, with lots of wood indoors, leaded lights in windows and hanging tiles as a wall cladding (there originally to stop rain destroying the fill between the timbers).

Indeed, the pull and the sense of comfort these materials exude have been so strong that thousands of

19th and 20th century houses in the county use them. For mansion or shed, the cottage style predominates. And it is hard to tell the age of a house. Are the bricks 1830 or 1930? A common answer in Surrey is that you can get both.

Demand for houses has picked up this year - a problem, since there have not been enough suitable properties available. This has meant

between the backs of the two chimney hearths. The stone slab roof is vastly solid, and it has a good garden. Browns in Cranleigh is asking £495,000.

A superb garden, but one for serious gardeners only - it has part of the National Collection of magnolias - is Tilgates, near Reigate. Knight Frank & Rutley is asking £800,000 for the house and seven

from the 1930s, costs £245,000 from the same agent.

Worplesdon is famous for its golf club. Houses for sale in the district from Hampton include:

■ **Bridley Manor**, a fine example of Tudor-style (offers over £1.5m).

■ **Norton Farm**, which goes back to the 17th century but now has electronic gates, a stable yard, loose boxes and 12.5 acres (for £725,000).

■ **The Mill House**, a Georgian brick box defiantly not in the traditional style. In an era of mock-Victorian conservatories, it is a joy that it has an original Victorian greenhouse. Price: £500,000.

The Manor House in Betchingley is also Georgian, but the property has been divided. Price: £300,000 (from Savills). Near Haslemere, the same agent has Steadlands Farm, listed Grade II and basically 17th century, for around £850,000.

At nearby Linchmere, the 1937 Queen Anne-style Githams House is going for £725,000 (Hamptons), and the adjacent Githams Farm for £800,000 (Savills); this includes a cottage made out of a tithe barn.

In Ockley, between Dorking and Horsham and close to Sussex Lane Fox is selling **Elderslie House**, which has a cedar tree on the front lawn and is almost opposite the village cricket pitch, for £400,000.

At Ripley, close to the Royal Horticultural Society's garden at Wisley, Savills offers **Dunsborough Park**, basically Georgian, with 62



The Mount House at Guildford: a gloriously Gothic gem for around £350,000

acres for £1.45m; and Hamptons has the traditional Home Wood Farm in a price range of £625,000-£75,000 for the main lot which includes plenty of farm buildings. The other lots are fields, some already under offer for grazing.

Two intriguing houses to finish. The Mount House in Guildford is a castellated Victorian coach house, gloriously Gothic with a garden probably laid out in the 1840s as part of the Weycliffe Pleasure Gar-

dens. The price for this hidden gem is around £350,000 (from Browns).

In Mersham, two miles from Redhill, the vendor himself is selling the 1925 Knockando Manor, designed by the Scottish architect Louis Beaton McDonald. Much of it McDonald built himself, using fireplaces from older houses and front doors from a City bank.

Its deep pink colour reminds one of Scandinavia, where he is said to have built the first "spaghetti junc-

tion" in Oslo. Inquiries: 0737-643171.

■ **Further information:** Browns, Cranleigh (0432-287070) and Guildford (0432-31188); Hamptons, Guildford (0432-572854); Hamptons, Mersham, Haslemere (0432-643207); Hill Clements, Guildford (0432-300300).

Knight Frank & Rutley, Guildford (0432-651711) and London (071-629-9171); Lane Fox, Haslemere (0432-661077); Savills, Guildford (0432-576551).

### Look behind Surrey's suburban facade and you will find that plenty of attractive countryside remains, says Gerald Cadogan

slightly firmer prices - "an increase of 3-5 per cent," according to Michael Parry-Jones, of agent Browns - and some very quick sales.

James Wilson, of search consultant Wilson & Wilson, attributes the renewed interest in Surrey to prices being at pre-1987 levels. Despite this, September was not so busy as agents had hoped.

One Lutyens' house for sale is The Old Barn outside the village of Holmby St Mary. He was not yet 30 when he converted the barn - which had been brought from Slinfold in Sussex - and gave it an almost vice-regal drawing room (although at hill station level, not his later New Delhi grandeur). He even conjured a small room

acres of garden. The same agent is seeking £1m for Reel Hall, near Guildford, with beams and inglenooks galore; and offers over £280,000 for Crocknorth House (knapped flint and brick) near East Horsley, with a stable cottage and 12.5 acres in an official area of outstanding natural beauty.

Barnfield, at Dunsfold, is a small estate (74 acres) for £1.35m (from Hamptons). In Shamley Green, Hill Clements is selling **Timbers** (the house has them) near the cricket field and duck pond for £400,000.

For over £500,000 there is Tangleway Way, a 1920s' traditional house at Blackheath, near Guildford; while the Cherry Tree Cottage in Holmby St Mary, thatched and dating

### Cadogan's Place

## Better - but not good

**W**AS THE bad weather in September too much for the property market? Or were sober assessments of family finances for the coming year to blame, especially as nobody knows what nasty medicines the chancellor will administer in November?

Whatever the reason, business was less than agents had expected. Such words as "flat" and "patchy" - even "stagnant" - could be heard. Buyers remain willing to wait or withdraw unless house and price match perfectly. And while the Corporate Estate Agents' property index reported September sales 7.5 per cent up on August, they were below the February-July monthly totals.

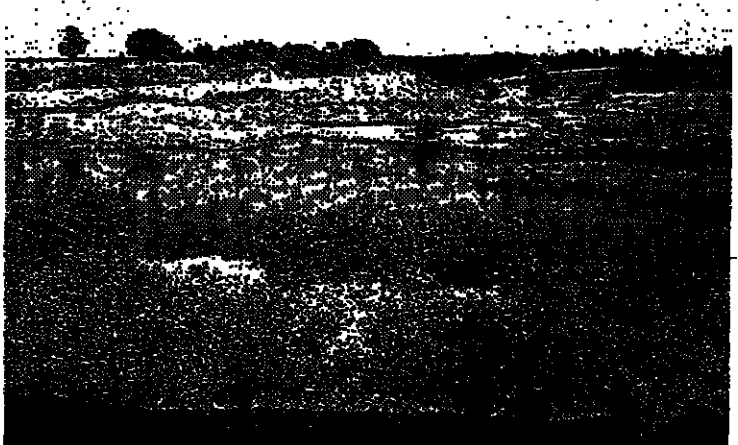
One property that is likely to sell quickly, however, is Erwarston Hall, on the Stotley peninsula in Suffolk. New on the market, it is a brick, grade II-listed Elizabethan house with plenty of bedrooms plus a great hall with minstrel's gallery, heated indoor swimming pool, jacuzzi and sauna.

Its glory is a 1549 gatehouse, looking like an upturned multi-legged table in brick, directing visitors to the front door. Strutt & Parker (0473-214841) is seeking offers over £450,000.

Why so little? As a repossessed property, it is empty, which does not help selling. Also, there are farm buildings against one of the boundaries, it is far down the peninsula, and the view across the

river Stour includes Harwich docks. But it looks good value, especially with its gatehouse.

IN CAMBRIDGE, St John's College has created the city's first true crescent (rather than a sweeping road). The Crescent, designed by John Blair of local architect Saunders Boston, and built with care by Amey, is aligned on the axis of Churchill College across the road, enhancing both buildings. It has 16 town houses and five detached houses behind. At the side is housing that college staff, graduate students and visiting fellows can afford in a city where demand far exceeds supply and prices and rents are high as a result. Town house prices start at £69,950 and the



Bishops Bowl Lakes: a romantic wilderness complete with planning permission

detached houses at £187,500. The agents are Carter Jonas (0223-68771) and Redmayne Arnold & Harris (0223-323130).

IN OXFORD, New College is selling 16 lordships of the manor in places

2.5 per cent if they are former New College men and women. Inquiries to Cluttons (071-408-1010).

IF YOU hanker after water views, but do not want to move to distant parts, try Bishops Bowl Lakes. They lie in an old limestone quarry at Bishop's Itchington, Warwickshire (between Banbury and Warwick), where two fossilised plesiosaurs and an ichthyosaur were found in 1928. The lakes are for sale from John D. Wood (0865-311522), which is seeking offers well in excess of £1m.

When I visited them on a cold and frosty morning, steam was rising from the water between the layered limestone cliffs as it began to warm in the morning sun. Duck and a snipe were in the reeds. Yet, this romantic wilderness is only 30 miles from Birmingham and Leicester and a mere 17 from Coventry.

The lakes have planning permission for a private house, club houses and fishing lodges, and could easily be a leisure centre for

the Midlands since they are only three miles from junction 12 on the M40.

At present, there is fishing, and water sports in the summer. If I had the money, I should forget the leisure centre and build a large, low house for watching the birds and enjoying Warwickshire at its wildest.

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GARDENING

# A roving eye on beds and borders

**J**UST BEFORE the frost cuts off the garden's bright spots, I find myself standing in the right spot at the right time. Do not accuse me of being smug: you have been there, too, if you have been watching the television series on English countrywomen's gardens.

The last but one episode looked at Kiftgate Court in Gloucestershire, where the surviving two of three generations of gardening women were characteristically modest. From the programme, you might not have guessed how much we can all learn and enjoy from their accessible garden, maintained in the same female line for more than 70 years. Some 20,000 visitors probably agree with me, having propelled the takings at the gate to a record this year.

In the mid-October sunshine, I followed the tracks of the TV camera in midsummer. Out of season, it is legitimate to pick, choose and be selfish. There is no longer the tension between being fair to the plan and the site as a whole, and trying to note down all the plans which you want for yourself, as if the garden was a lesson in shopping or an encounter with a master chef.

In mid-October, the main shapes of the borders have died away; the forms of old trees may be appealing, but the owners did not often plant them for the particular effect of their last flourish while the garden around is dying. You can justly make for whatever plant takes your eye, and size it up for yourself, without such a context.

Kiftgate in mid-October no longer emerges from a haze of Chinese daisies and striped old roses. Where the TV camera showed profusion, now there is a mixture of leaves on the turn and particular subjects with a long season which ask to be copied.

Few of us will ever garden where our grandmother gardened before us, and not many of us enjoy the Kiftgate range of soil and favourable micro-climate. Marginal plants are hardy, even at the top of their very steep hill. Others run wild in the soil.

Away from the south-west, few of us can grow the glorious madonna tree, *Arbutus menziesii*, which is the queen of large-leaved evergreens and, so far, is indecently

happy in this corner of Gloucestershire. Rather more of us have planted the famous white Kiftgate rose; but those who visit it at home will fear for their safety.

It has now run sky-high up two beech trees and the single plant has spread for several hundred yards, proving that it is totally unsuitable for most of the gardens where it has been planted. In your grandchild's day, whole areas of previous cultivation will have disappeared in a monstrous thicket.

At a simpler level, there are plants which stand out at this late season and encourage us all to want them. Sometimes, it is a matter of proving the right way to treat something. On the side of the house, I noticed out of season how the tall, yellow-flowered Moroccan brooms,

**Robin Lane Fox follows the tracks of a TV camera in Kiftgate Court**

*Cytisus battandieri*, have been pruned ruthlessly to a main framework after high summer. I have always been nervous about cutting too far into this silky-grey-leaved shrub for walls; but they have cut it for years at Kiftgate and it flowers far better for a hard trim.

Round the corner, I have learnt how to use a wonderful foliage plant. After the recent frosts, the sea-green *Melanthus* major may not be looking so noble, but they give it every chance at Kiftgate by isolating it in a clay pot all to itself.

The leaves are a superb, serrated sea-green. Young plants, pale, apple-green flower stems which make me want to browse on them.

In sheltered corners or against the walls of a botanic garden, this excellent plant often will live on through the years, being cut in the garden in cold winters. With me, it usually dies if left outdoors after mid-November. It has to go into a pot, but I now realise that it is five times as good if it is not battling for attention in mixed company. At Kiftgate, one plant goes in one pot alone and has the impact of a good piece of sculpture.

Nearer ground level, I picked and

chose among ideas which most of us neglect or do not know. One of my successes this year has been a hardy white sorrel called *Oxalis bowlesii*, which derived from the great Bowles' garden at Enfield. It flowers for most of the summer, but I now see that *Oxalis articulata* would be almost as good and much easier for you to find. It is a favourite at Kiftgate, where it flowers continuously at a height of 6in above leaves, like shamrock.

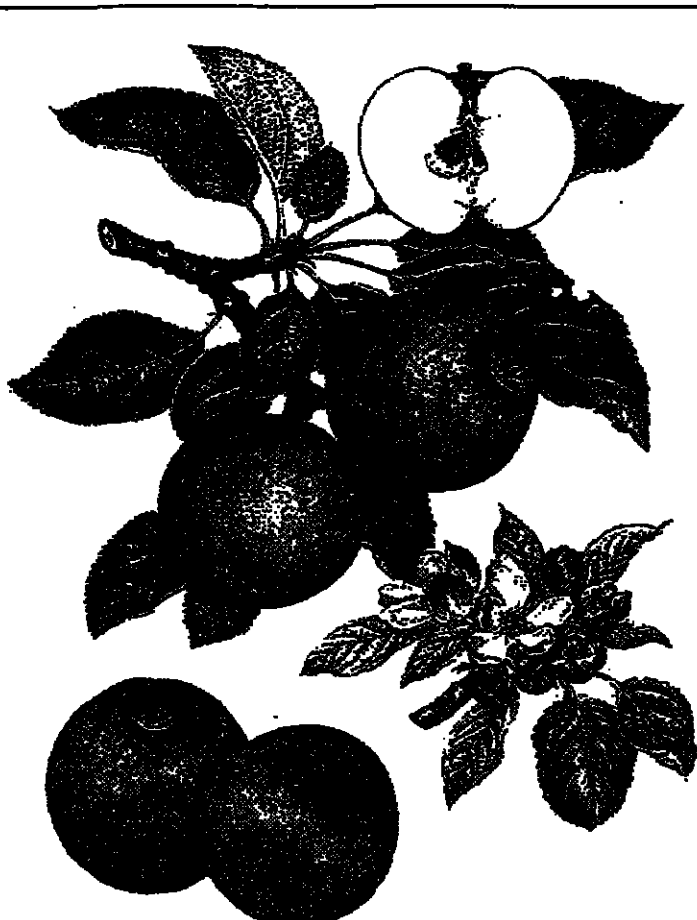
Just round the corner, you encounter a good companion, the yellow-flowered flax, *Linum catharticum*, with its good, evergreen leaves, another long-lasting plant which the rest of us overlook nowadays.

On the main terrace, the *salvias* are an important presence but would any of them survive a winter? Yearly, the list grows, tempting us all towards the greenhouse side of the family. At Kiftgate, however, the owners consider that the tall, hooded flowers of *Salvia candelabrum* are certainly hardy, encouraging me to try it wherever stems could come up through a bed to a height of 3-4ft.

To one side spread the trailing groups of *Geranium Buxton's Blue*, reminding all visitors that this form is still the finest late-flowering variety to spread through a low undergrowth or run across the front of a border. The small-leaved *Fuschia thyrsiflora* is less familiar, but it has been hardy here for several years, like other small-flowered forms, and is a charming contrast to the last penstemon and the white flowers as second crop on the evergreen prostanthera.

In the late sunshine, did anything turn up for those everyday problems, a semi-shaded corner or the difficult dry ground under trees? The latter runs all down Kiftgate's steep slope between the upper and lower gardens of its hillside site: hardy cyclamen are one spectacular answer, but the other is the lesser-known *Campanula latifolia*.

The violet-flowered *Highcliff* form has run for years on this steep slope in dry soil: I first copied it nearly 30 years ago and have now added the good white form and the mauve one called *Hidcote* Amethyst. Young plants need to be dead-headed quickly in order to encourage the side growth, but they



THE Book of Apples, by Joan Morgan and Alison Richards, with paintings by Elizabeth Dowle, (£19.95, 304 pages) may well become an instant "classic" when it is published next month by Ebury Press in association with Brogdale Horticultural Trust. Its publishers say it is the most complete survey of apples ever-written and it offers a directory describing 2,000 old and new varieties.

do make tough mats of fresh leaves which send up flower stems about 2ft high, even in the bone-dry ground below a hedge. You need to see them in a garden as old as this one to feel confident that they are so tough.

In semi-shade, I go first for Japanese anemones, pink and especially white: after Kiftgate, I now think of them with one of the tough, lace-cap hydrangeas called *Preziosa* and fresh, evergreen skinnies and clumps of the curious tri-cytis, or toad lilies.

The *Plantfinder* lists 26 varieties of this late-blooming beauty, the flowers of which usually are spotted so as to resemble a toad's skin with purple markings. They need slight moisture throughout the year and a lightly-shaded aspect, but they are not all difficult so long as you do not ram them with a fork before they wake up early in summer.

After the main season, great gardens with continuity through generations outclass the rest of us because they can show such plants at settled maturity and include such a range that you can pick and choose happily on a slow walk during an afternoon.

When we film them, we always seem to do so in the full flush of summer, or their best season. We are either restricted to close-ups or such personal detail or eccentricity as the owner can be coaxed into releasing for the occasion. Very few people who love and understand gardens will ever make feature films: they prefer to garden and be left alone.

As a result, it is always worth following the camera's footsteps and seeing for yourself what has been elided for the sake of an idea of what the public is prepared to enjoy.

## Fishing / Tom Fort

# Long to rain over us . . .

**M**ORE RAIN. As I write, it is still belting down. Water is cascading off the roof and gurgling in the gutters. The rivers are threatening to burst their banks.

Amid such plenty, it is odd to recall the scourge of drought. Two years ago, the land cracked and baked, the rivers shrank until they were rivers no more and it seemed the dry spell might never end. The merchants of doom wrung their hands, predicting irreversible ruin. Even then, though, I did not give up hope entirely. I knew the wonderful capacity of rivers to renew themselves. If only, we prayed, if only it would rain again as it should in England, salvation was still possible.

I remember, three Septembers ago, visiting a stretch of the upper Kennet on which I had received my rudimentary self-education in dry fly fishing a decade or so before. Then, early in the 1980s, it was a lovely piece of water to behold, crystal clear, bright with weed and golden gravel, alive with the right sort of insects and fine, canny trout.

On my return, it was as if a plague had struck. The bed of the stream was dark and lifeless, the weed and gravel smothered in silt. The water itself was thick with gobbets of algae, the surface still and scummy. The trout which remained darted through the murk, as if searching in vain for the river's innocent past.

The curse was lack of water. The aquifers had been sucked dry and the springs were defunct. What water there was hardly moved. Without current, the river had ceased to be a river and had become something else - a ditch.

John Houslow, the keeper of that fishery - a bright, purposeful, energetic man - did not try to disguise the scale of tragedy. But even then, in his despair, he never lost hope. Given two or three decent winters of rain, he said imploringly, the river he loved would be reborn.

So, this autumn, to obtain a condition check, I went to see him again. It was a grim day, the sky the colour of coffin lead. As we made our way down to the river,

the heavens opened and remained open.

Once, he explained, river-keeping had been a simple game. You kept the banks clear, cut the weed, stocked the fish, cleared the hatch gates and listened politely to the anglers. Now, though, he had of necessity become a self-taught hydrodynamic engineer.

The problem he faced was this. A chalk stream must have the right sort of weed if the insects and the trout are to flourish. The right sort of weed is ramunculus, and it will grow only on a gravel bottom kept clean of silt by an adequate current.

He showed me where, with back-breaking labour, he had narrowed the water course to increase the flow; and where he placed tons of rock on the river bed to create little groyves, or underwater breaks; anything to accelerate the passing of the water. Along one stretch, the whole had been shifted sideways to restrict its spread and squeeze the flow.

It was working. Everywhere were signs of returning life: in some places, a mere trail of ramunculus; in others, true beds of weed, thick green masses nourishing shrimp and nymphs, creating ladders for trout. And the water, clear and pure as ever, was moving again.

The sickness, however, had by no means departed. Despite several weeks of almost constant rain, the level of water was still pitifully low compared with what I remembered of this fishery in its prime.

The top stretch, for instance, remained virtually barren of weed, even though the bed has been kept clean. The springs which feed the Kennet at its source are still too depleted to provide the volume of water needed to restore complete well-being.

So, the patient is convalescent. There is life where, a year or two ago, all one could see was a creeping death. Strength is returning, but slowly, slowly.

For a full recovery, time is needed, and the constant care and attention of a dedicated keeper. Ultimately, though, the fate of the river is beyond the power of mere men to determine. Nature must do its stuff. Let the gentle rain drop from heaven - and keep dropping.

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# It was all real to me

J.D.F. Jones enjoys Penelope Mortimer's memoirs

**T**HE PUMPKIN Eater, Penelope Mortimer's best-known novel (do you remember the film? Anne Bancroft having a nervous breakdown in Harrods?) ends with the following haunting and elegant lines: "Some of these things happened, and some were dreams. They were all true, as I understood truth. They were all real, as I understood reality." That might stand as introduction to *About Time Too*, the second volume of her autobiography.

Penelope Mortimer is today

ABOUT TIME TOO

by Penelope Mortimer

Weidenfeld & Nicolson £16.99, 21 pages

in her mid-70s. This memoir takes us from 1940 to 1978, that is to say from her 21st birthday (when she closed her award-winning first volume, *About Time*, which has just been reissued by Weidenfeld and Nicolson in paperback) to the purchase of a house and a garden in the Cotswolds which will, we hope and assume, be the subject of a third instalment.

*The Pumpkin Eater* was "about" a woman who had a horde of children and was in love with a gifted, difficult, promiscuous husband. Mrs Mortimer has six children by various fathers and was married, for part of this new book, to the well-known lawyer and writer John Mortimer. Mr Mortimer does not come well out of this account and if he is realistic he will hardly have expected to. His ex-wife favours candour and she loved him not wisely but too well. The revelation of the infidelities, miseries and delights of a trendy liberal marriage of the 1950s and 1960s will be eagerly consumed in many a literary dinner party and by the up-market gossip columnist.

But this book is something better. It is, or appears to be, appallingly honest. It is beautifully written. It is vague or erratic on detail, the narrative fast, full of gaps, the opposite of plodding. The author does not pretend to remember everything and only occasionally quotes from diaries - "I scrawl and search but don't know what I'm looking for. We were in love, ambitious and in charge of five children: those are the things that motivated our lives" - or again, and typically, "Only fragments of that time survive..." Even so, some of the detail seems approximate.

The children are always in the forefront and always the most important thing in her life, but this is also the story of the life of a serious writer, blocks and all. After the success of *The Pumpkin Eater* she was involved in cinema and taken up in America, a relationship which last surprisingly long, eventually including a couple of spells in East Coast academia. Although it is clear that she always belonged on this side of the Atlantic, her description of her time in America is very good (she is so much more interesting when she gets away

from John). Some of her vignettes are hilarious, none more so than her stories of her friendship with Bette Davis ("She was old and hating it. 'Ten years' she snarled, pouring a treble whisky. 'Ten years since I had a fuck! What do you think of that?'"). Mortimer has a writer's gift for the telling phrase: of her mother, for instance - "She was aggressively humble, blatantly self-effacing, passionately frigid", or, "Antonia Fraser, exquisite as usual, sitting the entire evening on a small sofa, her expression placid, as though about to moo". These days it is easy to forget that Penelope Mortimer had a reputation as the author of witty, not-overly-fictitious short stories in the *New Yorker*, before she produced the novels she is most proud of - *My Friend Says It's Bullshit*, *The Home, Long Distance*.

Perhaps the detail is thin because she spent so much of the time on pills - not just the "uppers" that fuelled that generation but the drugs her successive psychiatrists prescribed with such lunatic nonchalance. She tells of a lifelong struggle with Depression, of breakdowns, a suicide bid, electric shock treatment, nursing homes.

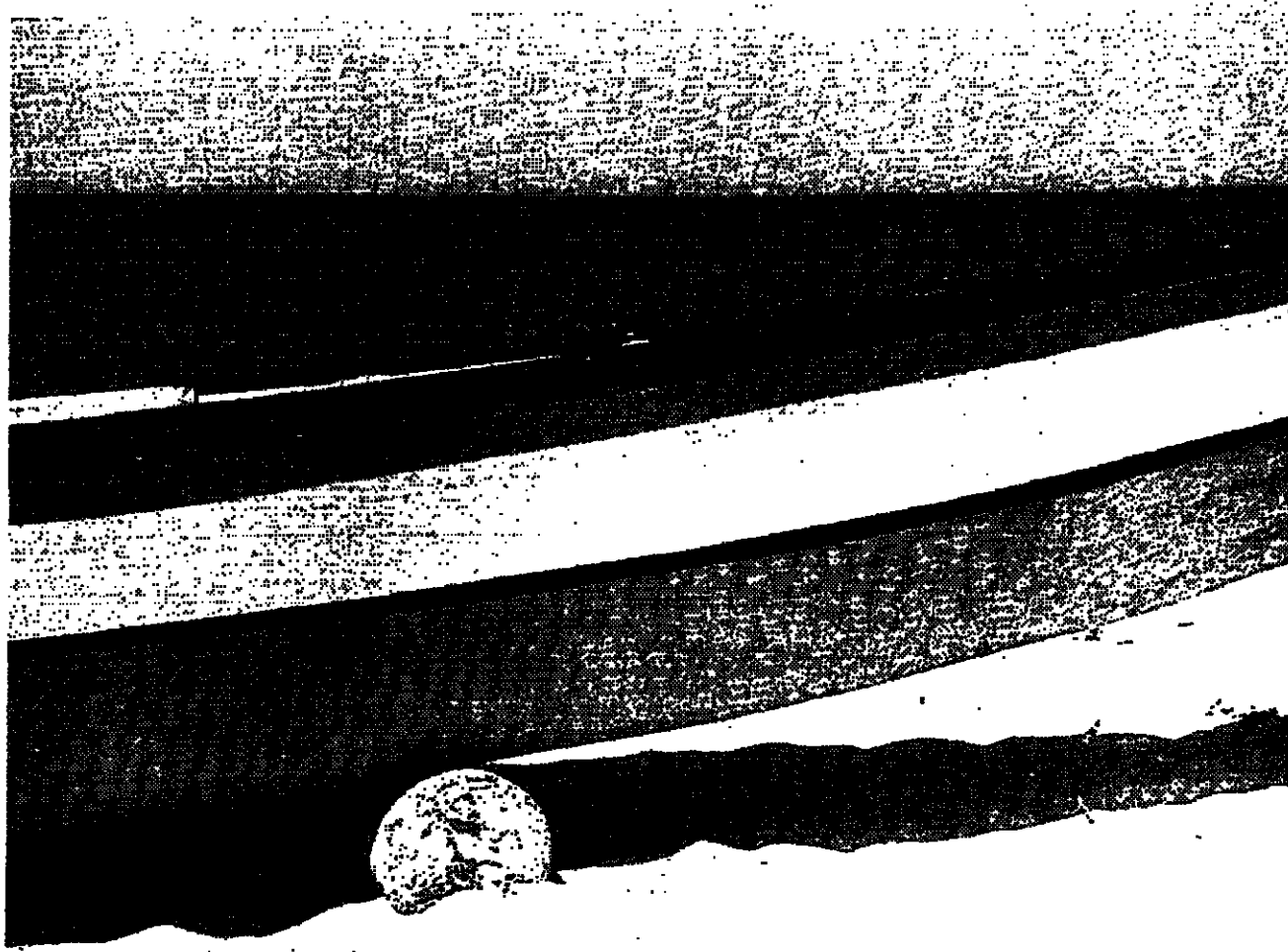
There have been plenty of men in her life, and she is happy to name names, but this book, like her adult life, is dominated by John. "Whatever the pain and fury connected with John as a husband, as an individual he was my only familiar". She is not unaware of his own dilemmas: of a final bid at a reconciliation, she



Penelope Mortimer when young

writes, "There is no point, either for writer or reader, in telling it all as was, except to say that it was perhaps the nearest John has ever been to hell, a place on which, as a day-tripper, I thought myself an authority. John was a novice at unhappiness..."

John eventually married a second, much younger Penelope and Penelope the First worked at her escape. America came in useful. In the end she returned home and bought a cottage in Chastleton. I know she is about to become a gardener.



'Painted pig, Mauritania' is one of Chatwin's superb photographs in the posthumously published 'Bruce Chatwin Photographs and Notebooks', with an introduction by Francis Wyndham which has just been published by Jonathan Cape (£22). The photographs will be exhibited at the Royal Festival Hall from November 28 to January 15

## Delicate relations

David Marsh on how Germany's reunification came about

**I**N FEBRUARY 1989, during an interview with Chancellor Helmut Kohl, I asked why he no longer used the word "Wiedervereinigung" (reunification) to describe West Germany's constitutional goal of unity with East Germany. Kohl said he preferred the phrase "Einheit der Nation" (unity of the nation).

"Under Wiedervereinigung one understood something else, the attachment of the GDR [East Germany] to the Federal Republic," he explained. "Isn't that the idea?" I persisted. "The idea - the vision is that we want the political unity of Europe," the chancellor replied, somewhat lamely. When I rammed home the question again, Kohl burst out: "The difference is that you are a prophet, and I am only the chancellor."

That dialogue - just nine months before the fall of the Berlin Wall, and 20 months before Kohl became chancellor of united Germany - certainly shows how unification came as a surprise. It also neatly illustrates a theme at the centre of Timothy Garton Ash's immaculate account of German post-war *Ostpolitik*.

Successive West German chancellors believed that "reunification" could only take place as part of a gradual move towards ending the overall division of Europe that formed the (apparently) enduring legacy of Hitler's war.

In view of their belief that a speedy "attachment" of the GDR was impossible, West German governments during the 1970s and 1980s concentrated on stabilising East Germany politically and economically. By improving the lot of East Germans, they believed the policy would facilitate democratic reforms - judged the best long-term route to rejoining the nation.

In fact, West Germany's unjustified confidence in East Germany's solidity prevented rather than furthered reforms east of the Elbe. But, at a time when Mikhail Gorbachev was trying to remodel Soviet communism, East Germany's out-of-touch leaders' refusal to follow suit dramatically increased their own unpopularity and their state's economic problems.

West and East German illusions about East Germany's ability to survive thus reinforced each other. Collapse into the arms of its prosperous, alarmed neigh-

bour-brother became inevitable, precisely because it was unexpected. Garton Ash's teasingly dialectical writing style is well suited to describing a plot of Smileyesque convolutedness. Unique sensitivities surrounded (and surround still) German reunification. The path to it was thus a game of mirrors. From Konrad Adenauer's time onward, no policy, no action, no statement, no objective, no outcome - and certainly no politician's after-the-event account of any of these things - could ever be taken at face value.

This was a cautious journey, not only two-track, but also in two directions at once. Efforts first to form and then to develop relationships with the Soviet Union and the GDR would succeed only if Bonn at the same time made maximum efforts to extend its anchor within the European Community and Nato.

**IN EUROPE'S NAME: GERMANY AND THE DIVIDED CONTINENT** by Timothy Garton Ash

Jonathan Cape £25, 680 pages

Two points stand out. The first is that the Soviet Union, with a taste for and understanding of *Realpolitik* surpassing that of the world's original inventors, had a good idea all along of what was going on. Referring to the reasons behind Chancellor Willy Brandt's overtures to East Berlin, Leonid Brezhnev warned East German leader-to-be Erich Honecker in 1970: "He expects to penetrate you." Brezhnev added (half-correctly), "But with time he will find that over harder."

The Soviet Union had far more insight than West Germany into East Germany's true weakness, and also probably during the 1980s sensed it would not send in the Red Army should Honecker's power totter. Gorbachev was charmed by Kohl's daringly sentimental talk - during a walk by the Rhine in June 1989 - of how reunification would be in both nations' long term interests.

An agonising choice for Gorbachev, to be sure. German unification might well profit Russia. First, however, as part of the dismantling of the Stalinist order, the Soviet empire would have to disappear. The second point relates to West

Germany's relations with its eastern and western European neighbours. The Federal Republic's transmutation into a modern, efficient, non-revanchist EC state - both model and magnet - increased its economic power and its reputation as a reliable partner.

Because everyone in Europe (Bonn included) believed *Wiedervereinigung* was no longer feasible, the Federal Republic, almost imperceptibly, gained the leverage and muscle to put it speedily into effect when the chance came. After the Wall fell, Margaret Thatcher's unrealistic (and small-minded) assessment that Kohl should try to delay reunification matched the chancellor's equally inaccurate avowal (in 1988) that he would not live to see it.

As he applies his spatula to this canvas of paradox and dilemma, Garton Ash paints in the emotions as well as the politics guiding the practitioners of *Ostpolitik*. The Social Democrats' veteran strategist, Egon Bahr, is rebuked - despite the brilliance and eventual success of his 1963 concept of *Wandel durch Annäherung* (change through rapprochement) - for increasing the SPD's disarray in 1980s dealings with East Berlin.

For all the book's opiousness, there are some *lacunae*. More detailed treatment of Bonn's late-1980s dispute with the allies over short-range nuclear missiles - crucial to inspiring solidarity among East and West Germans, since they would be the only people killed if the weapons were ever fired - would have been welcome. Garton Ash glosses over the remarkable lack of curiosity towards East Germany by the West German media - cause and effect of declining belief in *Wiedervereinigung*.

While he offers the exceedingly general precepts that united Germany should redefine its national interests and avoid "emotional over-reaction", Garton Ash ducks analysis of the effects of unification on the rest of Europe. Kohl sees his new twin-track task as combining German unity with European unity. Successfully steering both processes may, however, prove as daunting as anything faced by the architects of *Ostpolitik*.

they can be misled by cold reason, but if they are employed according to the instincts in which life itself consists, they cannot be wrong. "My coarse imagination," Hamann wrote to Herder, "has never been able to picture a creative spirit without genitalia." He identified repression with rationality; children, he points out, have no false sense of prudery.

Berlin wrote this account of Hamann 30 years ago. It is published only now because Berlin's editor, Henry Hardy, only recently discovered the manuscript among Berlin's papers. It was a lucky find, for this is an appropriate juncture for Hamann's thought to be discussed, if for nothing else as a powerful example of the anti-rationalism which is again invading the world.

At the time Berlin wrote it, seemed natural to liken Hamann to the Existentialists in some respects (the emphasis on instinct and feeling) and to Wittgenstein in others (the obscurantist hostility to science and theory). These comparisons wear well. If one wishes to see what blind religious faith and hatred of rationality look like at their most eloquent, Hamann is exemplary. Even if one is repulsed by unreason and its forces, one must understand them; again Hamann is exemplary. So Berlin does a profound service in restoring this philosophical whirlwind to our notice and helping us, in his characteristically lucid way, to appreciate its content and power.

A.C. Grayling

**THE MAGUS OF THE NORTH** Isaiah Berlin

John Murray £14.99, 144 pages

accused of describing the universe as a lifeless abstraction, thus falsifying its divine, creative, spontaneous nature as the place where God, who is "a poet not a mathematician", might make anything happen.

Hamann hated all who were party to the scientific and rationalising ethos of the time. This included not just philosophers, but everybody from Europe's Jews to Prussia's Frederick the Great.

His zeal did not make him conventionally moralistic. Like William Blake he considered sexuality good rather than evil. Flesh and the passions do not sin, he argued, by existing;

## The man who hated science

is the subject of Isaiah Berlin's new book.

Berlin's aim is to reclaim Hamann from obscurity. Hamann is "the first out-and-out opponent" of the Enlightenment, whose sharply uncompromising hostility to it makes him "the true founder of a polemical anti-rationalist tradition which in the course of time has done much, for good and (mostly) ill, to shape the thought and art and feeling of the West." Berlin does not share or approve Hamann's views; he writes about him as a "witness of a great deal that is truly revealing in the scattered, unsystematic, passionate" writings of a man who figures high among "the important if often maddening irregulars of civilisation".

Hamann was intensely religious. He came from the German pietist tradition, which emphasises personal faith and direct communion with God, and correspondingly despises "book learning" and intellectualism. For Hamann this meant commitment to blind faith and an angry rejection of the claims of reason. He did not write systematic treatises, because that would conform to the methods of those he attacked, with their goals of scientific clarity and logical

## Aboard the novelist bandwagon

This story will run and run, says Anthony Curtis

**A**S I read this survey of the British novel over the past 100 years, I have a picture before me from the silent movie screen. Our hero, played by Buster Keaton, running for all he is worth in the middle of the railroad track, is in hot pursuit of a moving train; just as he seems to be reaching it, the train accelerates and pulls away from him. Clamping his hat firmly on his head, he makes a superhuman effort and struggles on top just before the train reaches the tunnel. He emerges clinging to the outside of the last carriage covered in grime and soot.

No ingratitude is intended for a book from which I have benefited enormously, and that has already acquired an honoured place on my reference shelves, but there seems something similarly farcical and heroic in Bradbury's attempt to discuss, or at least mention, every novel of some significance by a British novelist published since the 1870s. Bradbury has peppered his pages with an overwhelming plethora of names. At the conclusion he appends a further List of Major Works from 1876 to the present that, he says, "reaches well beyond the authors it has been possible to cover in the text but, though full, remains personal and selective."

An idea of the extent of ground covered may be seen from two successive entries in this list.

DOYLE, ARTHUR CONAN (1859-1930). *A Study in Scarlet* (1887), *The Sign of Four* (1890), *The White Company* (1891), *The Adventures of Sherlock Holmes* (1892), *The Memoirs of Sherlock Holmes* (1894), *The Return of Sherlock Holmes* (1905) DOYLE, RODDY (1858-). *The Commitments* (1988), *The Snapper* (1990), *Paddy Clarke Ha Ha Ha* (1983).

Roddy Doyle is one of six favoured novelists on another list - the short list of this year's Booker Prize for fiction to be awarded next Tuesday and Doyle's novel on that list is the last one mentioned above by Bradbury. It consists of an Irish schoolboy's random thoughts at a time when his parent's marriage is breaking up. If it wins it will be very good going on Bradbury's part to have got it in.

After Joyce and Beckett whom he deals with at length, Bradbury is surprisingly weak on the Irish contribution. It is where the master-word "British" in his title poses problems. He glances only summarily at major writers like Brian Moore and William Trevor, and as for more recent ones he is content with a quick round-up in his final chapter, "1979 to the Present".

Ireland (he writes) had of course long been a major centre of important fiction in the English language, to the point where its tradition now seemed distinct and independent. Still, a significant part of the best fiction read in Britain came from there. To the work of well-established notables... were now added the novels of John Banville... John McGahern... Claire Boylan... Deirdre Madden... Nell Jones... Patrick McCabe... It is not by such scrambles against the time-control that the book must be judged but by the earlier chapters where the story is told of the novel's fluctuating fortunes from the days of Hardy, George Moore, Kipling through the two world wars and the decades that followed. These chapters are exemplary, models of clarity and compression. Not only does Bradbury deal with the various clusters of novelists who give a period its distinctive tone, he sees well beyond them to the historical events, the main influences from abroad and the critical theory to which they reacted.

Bradbury starts his survey in 1879 because it was around then that the Modern (in the opposite sense to Victorian) novel began to emerge; it was then that Henry James, recently settled in London, went to what he thought was tea with George Eliot whom he revered. No tea was served and as James was leaving her lover G.H. Lewes handed him a couple of books. They were the two volumes of his *The Europeans* that had been sent on in advance of the visit.

In that put-down of the emerging Modern by the declining Victorian, Bradbury finds an emblem of the great

fictional take-over. In *The Portrait of a Lady* published two years later James canonised his debt to Eliot in the use he made of the feminine consciousness in his novel. From then on Bradbury's survey is sign-posted by words like modernism, realism, surrealism, post-modernism, utopianism, and dystopianism (a word that crops up more and more as the century progresses and describes a novel like Orwell's 1984). The familiar names - Ford Madox Ford (whose complex novels are excellently expounded), Forster, Lawrence, Woolf, Dorothy Richardson, Evelyn Waugh (still underrated, Bradbury thinks), Huxley, Green, Greene, Isherwood, Koestler, Angus Wilson, Iris Murdoch, Anthony Burgess, remain in their predictable places in an intricate chronological tapestry.

As an example of the amount of critical punch Bradbury can pack into a couple of sentences take this comment on the world of Ivy Compton-Burnett:

"The time is that less of late-Victorian life than the late-Victorian novel, which Compton-Burnett does not reject but subverts, preserving it in an eternal stasis, for repeated decoding. This is the eternal world of Samuel Butler's *The Way of All Flesh* and Edmund Gosse's *Father and Son*, and Butler's deep irony and Gosse's sense of patriarchal crisis are both essential elements of her method."

**THE MODERN BRITISH NOVEL**

by Malcolm Bradbury

Secker & Warburg £20, 512 pages

An old stager like C.P. Snow gets his due as a traditional realist and there are comparisons between him and his "saga novel" - the *Strangers and Brothers* sequence - and others who have written novels on the instalment plan, Henry Williamson, Anthony Powell, Doris Lessing in her Martha Quest sequence. In further comments on Lessing Bradbury underlines the importance of *The Golden Notebook*.

As the train moves closer to the present we become curious to see who is on board and who is not. Muriel Spark and Margaret Forster are both comfortably ensconced in a first-class compartment and so are A.S. Byatt and Angela Carter, the latter with an amazing amount of luggage. John Fowles gets in at the West Country, and we find the two Amises, *père et fils* in the restaurant car with Peter Ackroyd.

The fils whom Bradbury rates as highly as the *père* and whose style derived from Saul Bellow he discusses, is described as "a pained post-modern ironist". Salman Rushdie has a carriage to himself, good to see his work assessed on its true artistic merits for a change. John Le Carré, J.G. Ballard, Ishiguro, Ian McEwan, Julian Barnes, Graham Swift, Ian Banks, are all aboard, and so are Beryl Bainbridge, Elaine Feinstein, Alice Thomas Ellis (but not A.E. Ellis), Penelope Fitzgerald, A.L. Barker, Bernice Rubens, Emma Tennant, Rose Tremain... but I could go on for ever. The reliable old locomotive called the novel steadily along and shows no sign even now of running out steam.

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ARTS

# Onegin proves difficult to capture

Richard Fairman reviews the revival at Covent Garden of John Cox's production

IT WAS Tchaikovsky's express wish that the first performance of *Eugene Onegin* should be given by students. He feared that practised opera singers would find it difficult to capture the ingenuousness of the young people in Pushkin's tale, whose inability to control their emotions destroys the lives of those they love and - ultimately - themselves.

After 20 years of a traditional staging the Royal Opera decided this summer to try something new. John Cox's new production went as far as the borders of the non-representational, which proved very sparing on visual beauty and, presumably, cost. With a fine cast of big-voiced Russians and a noted Tchaikovsky expert in the pit it won enthusiasm. But in revival, less carefully rehearsed, less opulently played and sung?

The irony is that visiting singers need to work doubly hard on these characters if they are to look natural, believable young people. When Onegin is delivering his insufferably superior rebuff to poor Tatyana, it is unhelpful to ask her to sink to her knees and finally crumple in a heap on the ground - the standard reaction of a rejected prima donna. What is Onegin to do: offer to help her up or leave her there?

Dmitry Hvorostovsky left her, but without sufficient disdain as to make

her grand opera gesture seem appropriate. As Onegin, he cuts a handsome figure, at once proud and callow (the head is held at just the right angle to suggest assumed superiority.) All told, Onegin must be Hvorostovsky's best role. But he is short on specific insight and the voice runs out of power at the top, however beautiful it can be on sustained notes lower down.

The Tatyana from whom he walks away is Catherine Malitiano. Not so long ago she was a Royal Opera Tosca, but the voice is better suited to Tchaikovsky's youthful heroine, easily able to take the climaxes in its stride. During the Letter Scene, the shadings of vocal colour, the conscious mirroring of the music in her movements, all spoke of an intelligent artist who had thought long and hard in her preparation. Too hard, perhaps: the very awareness of what she was doing robbed her Tatyana of naive sincerity.

Giuseppe Sabbatini's Lensky is easier to deal with - straightforward, not much inner life suggested. His tenor is ready, sometimes constricted, but he is able to scale it down nicely to express affection and intimacy; the end of his aria, at least, was the work of a poet.

Eirian James, a sparkling presence in primrose yellow, was a delightful Olga. Gwynne Howell was a picture of



Catherine Malitiano and Dmitry Hvorostovsky head the new cast as Tatyana and Onegin

wise old dignity as Prince Gremin, leaving this Onegin with his wings visibly clipped.

A sharper cut, however, to the orchestral ensemble would be desirable. The scrambled string playing that led into the second scene was only one example of the general

laziness that robbed Mark Ermler's conducting of its stock Russian strength.

Faced with such a succession of unimaginative and ugly designs, perhaps even a stock Russian production would be preferable. These sets are due to go to

Monte-Carlo and Madrid. Lucky them! - but may the boat please sink on the way back.

Further performances at the Royal Opera House until November 11; there will be a Radio 3 live broadcast on November 6

## Off the Wall/Antony Thorncroft Disaster at the top

THE MOOD in the arts world has never been so gloomy and insecure. It is now accepted that the chancellor will cut the budget of the Department of National Heritage in his November 30 statement, and the best that the Arts Council can hope for is that the reduction in its grant will be confined to just £5m, leaving it with £221m for next year. It will presumably spread the agony by cutting the grants of all its clients by 3 per cent.

This will be the first ever cash cutback in government funding of the arts. If it was seen as a once and for all emergency, a case of the arts doing its bit to get the nation's finances into balance, it would be bearable, but a further expenditure freeze is on time for 1995-96. Even more ominously it intensifies the fear that official thinking is turning against the arts.

Margaret Thatcher was so uninterested in culture that during her premiership the arts never became a national donkey, needing to be kicked into life. It would be ironic and tragic if the ideologists suddenly sank their teeth into the arts at this late stage.

The problem is political. While the Department of Arts and Libraries was a backwater, its civil servants, with little hope of catching the eye of Whitehall mandarins, spent their time fighting the arts corner. Its ministers, too, often discovered to their surprise that, when given the peripheral arts portfolio, really the arts in the UK, especially in the regions, were much more fascinating than they imagined, and they fought valiantly to preserve the arts budget.

The new Department of National Heritage, despite its minister with cabinet rank, has turned out to be a disaster. At the top it is stacked with ambitious civil servants who are using the arts and the heritage to impress their superiors in the sexy government departments like the Treasury. The minister, Peter Brooke, is treating the department like a politician rather than a committed believer in the arts. He shows no desire to fall on his sword to defend his budget.

Now there seems to be squabbling inside the department. Brooke's number two, Iain Sproat, is a right wing ideologue. While confined to the department's responsibility for areas like sport or tourism he was not seen as a danger, but now he is taking an interest in the arts, and is pushing a budget-cutting line which is believed to go too far, even for Brooke. As a cricket buff Sproat has the ear of the Prime Minister. When arts group David Mellor was on hand as Heritage Minister to influence his friend the PM that was fine; with Sproat slinging a different tune the arts' access to top table is not an advantage.

The situation is desperate because the arts are already struggling. Next month the Association for Business Sponsorship of the Arts will announce that corporate sponsorship in the UK fell for the first time ever this year - business cannot and will not make good any shortfall in government support. Also the recession has hit box office revenue: audiences for plays, dance, classical music, and art exhibitions fell in 1992-93. Only opera bucked the trend.

The fourth potential master of the arts, local authorities, have struggled manfully to maintain their support but now they are being forced to reduce spending. The Liverpool Everyman is facing closure as is the Pass-

more Edwards Museum in Newham.

This week the government backed a British Tourist Authority wheeze to make 1995 a Festival of Arts and Culture in the UK. Over half the UK's visitors state that the arts and entertainment are a major reason for travelling here, and they spend £2b a year to prove it. A flourishing arts scene pays for itself, and much more, through overseas earnings, VAT receipts, and tourist expenditure. It seems inconceivable that the government should so wantonly put the boot in when the arts are operating in such a hostile financial climate.

The Arts Council has created public relations problems for itself by belatedly getting selective over which theatres to support during a recession. It has now withdrawn the axe from the regional theatres but the lack of judgment has hardly helped the search for a successor to Lord Palumbo, who retires as chairman next spring. Now the prospect of a cut in grant must make the unpaid job look distinctly unattractive.

You can forget outsiders like Lady Archer or Peter Gummer, the PR magnate brother

*This will be the first ever cash cutback in government funding of the arts*

of Environment Minister Gummer. The totally acceptable front runner as the next chairman is Sir Ernest Hall, who combines business success with an impressive commitment to the arts, not least at his Dean Clough mill complex in Halifax where commercial concerns rub shoulder with artists to mutual benefit.

The other weighty candidate could still be Lord Gower, who is likely to go non-executive as chairman of Sotheby's Europe next year. But could he have his eyes on supervising the Lottery-funded Millennium celebrations? Or has that task been reserved for Lord Palumbo, who first came up with the idea?

The Lottery is, of course, the joker in the arts pack. No one dares say so but the arts are being given a hard time now because the government believes it has secured their long term future through this new source of funding. Yesterday Peter Brooke gave his cautious view that the arts, the heritage, the Millennium Fund, sport and charities could each benefit by an additional £75m a year from 1995. In practice, and time, the figure could grow. The money will go mainly on capital projects but these, in turn, should improve audiences and the efficiency of arts organisations.

One problem for bodies such as the Tate or the Royal Opera House is which Lottery budget to go for: they could make a case for Millennium money, or heritage aid, or even to the Arts Council, for the millions needed for the new Tate and the new Covent Garden.

The real problem will be who will pay the running costs when the projects come on steam? This will be a restraining factor for brand new buildings. The Lottery funding bodies, like the Arts Council, will surely favour existing clients, whose track record they know, over fresh ideas. Even so seed money to get work started on the brand new Cardiff Bay, home of the Welsh National Opera, a hot tip for Millennium aid, has now been raised.

## Musical tilt at romantic fiction

DURING the two and a half hours *Love Off The Shelf* is on stage at Scarborough, Yorkshire, the queen bee of romance fiction, Dame Barbara Cartland, will have added two dozen pages to her oeuvre. This musical at Stephen Joseph Theatre is directed by Alan Ayckbourn and is a thoroughly enjoyable tilt at the romantic fiction industry.

The writers Roger Hall (book), A.K. Grant (lyrics) and Philip Norman (music) base their ideas on the clichés lurking in publishers' tips on how to write romance novels. Everything becomes subject to parody, which is why *Love Off The Shelf* will never be a great musical, since the action is unsure where to take itself. But this makes a good diverting evening which amounts to an extended revue rather than the full musical works.

The action meanders between *City of Angels*, *The Singing Detective* and *Possession*. Two tweedy academics are researching the dull, short life of a poet who wrote little and is known even less - the professional's dream project. But both are secretly writing romance novels to strict rules. Here is a steamy Caribbean rhumba about the fortunes of one Clare Truelove and the "sardonically smearing" Hamil-

ton Squire. And his is a raunchy (the publishers call this "Super Desire") Irish romp involving mega-novelist Sean O'Hara and secretary Kathleen: "Oh, Mister O'Hara, I've read all your books" - "Yes, but did you buy them?" The parallel interests evolve into happy endings, but leave the romance species looking pretty weak.

*Andrew St George has a diverting evening in Scarborough*

The play peddles in types. The romance hero has been dark and mysterious ever since Byron put the "rom" into Romantic with his infidelities; and the heroine supine since Jane Austen's action adventure *Persuasion* where eyes meet across the Octagon Room in Bath Spa and a young lady's flirtation at Lyme Regis ends in tears and concussion. But at Scarborough the action flirts with sex stereotypes: behind the chiselled features and black-flecked eyes of the hero is a sensitive man; and amidst the heroine's storm of electrical feelings and racing pulses is a shrewd, savvy woman.

The songs are unmemorable, not because they are poor, but because they underachieve. Parodies like these push their targets to one side, but never out of sight; so the attention they get is always divided. But the acting and singing are energetic and witty (particularly Simon Day and Sara Markland), if overdone at times for such a small theatre. There is a strong chorus to open and close the second half, and a deft number from the researchers, "What Can It Be Like?"... to be famous and fled.

Ayckbourn's sure and vivid staging work with Sheila Carter's sharp choreography to bring the tunes to life and bring onto the small revolving stage a ski-run, a ship, a helicopter, a lighthouse, a cliff and a sequence of diminishing palm trees to represent the departing shore; as Sam Goldwyn used to say from ship to pier, "Bon voyage."

The Stephen Joseph Theatre leaves its present site after its lease expires next season, and will move into Scarborough's former Odeon Cinema. Half the £4.35m needed has been raised; it should be supported.

In repertory, Stephen Joseph Theatre, Scarborough, Yorkshire (0723 378541) until November 20



Sara Markland, front, Gordon Kane and Sophia Winters in Alan Ayckbourn's production of 'Love Off The Shelf'

AS WE look at current events, it is worth remembering that nationalism in Europe is not a new phenomenon. Every student of musical history learns that the nationalist movement flourished about 100 years ago, when composers from countries around the periphery of Europe (Russia, Czechoslovakia, England, Spain, Scandinavia) started to assert themselves and write music in an identifiable national style.

This year is the 150th anniversary of the birth of Edvard Grieg, one of that movement's leading voices. It is difficult to explain why some events capture the record companies' attention, but others not: 1993 is also an anniversary year for Tchaikovsky and Rakhmaninov, both popular composers, yet nothing much that is new

## Records/Richard Fairman Norway's lone champion

or important of theirs has surfaced on record. Perhaps it is because they were part of a wider Russian musical tradition, whereas Grieg stands alone - Norway's lone champion, the embodiment in music of a whole national identity. Any number of interesting new discs of Grieg have been coming on to the market. The single largest offering is DG's complete recording of all Grieg's music with orchestra, which is available either as a boxed set of six CDs (with the full version of *Peer Gynt*, originally issued a couple of years earlier) or as four single CDs. Either way one has a chance to discover some rare music.

Like so many young musicians of his time, Grieg studied in Germany. Throughout the 19th century Austro-German

composers were dominant in the concert-hall and it was inevitable that visiting students would have come away thinking it right and proper to write symphonies and concertos, even though those forms might have been foreign to the indigenous musical tradition in their homelands.

In that respect Grieg was no different. Among his early works are one of each - a symphony written in 1864 and the famous Piano Concerto of four years later. For a 20-year-old, the Symphony shows a remarkable mastery of harmony and thematic invention, but in a derivative style. It is an exercise, very competently carried out, and Schumann seems to be the teacher. Grieg's own verdict - that the symphony "must never be performed" - is probably too harsh. Neeme Järvi and the Gothenburg Symphony Orchestra, the performers throughout this series, make a rumbustious case for it.

The Piano Concerto was immediately more successful. So successful indeed that its popularity has obscured the fact that it makes little out of the concerto form, except to hang upon the basic structure a series of typically singable Grieg tunes. A recent Prom performance showed how fresh the music can still sound, if its

Grieg: *Piano Concerto*; *Lyrical Suite*; *In Autumn*. Zilberstein, Gothenburg Symphony Orch/Järvi. DG 437 524-2  
Grieg: *Holberg Suite*; *Works for string orch*. Gothenburg Symphony Orch/Järvi. DG 437 520-2  
Grieg: *Olav Trygvason*; *Land-sighting*; *Peer Gynt Suites 1 and 2*. Gothenburg Symphony Orch/Järvi. DG 437 519-2  
Grieg: *Bergliot*; *Songs with orch*; *Choral works*. Bonney, Hagegard, Gothenburg Symphony Orch/Järvi. DG 437 519-2  
Grieg: *Complete music with orchestra* (contains the above four CDs plus the complete *Peer Gynt*). Gothenburg Symphony Orch/Järvi. DG 437 842-2 (6 CDs)  
Grieg: *Songs*. Von Otter, Forsberg. DG 437 521-2

embellished piano writing takes on the magic of a Chopin Nocturne. Järvi and his soloist, Lilya Zilberstein, are heavier. They want the Concerto to be grand in the Rakhmaninov manner, which does not work to its advantage.

From then on Grieg was to turn his back on the Germanic style. His preference was for smaller forms, where he could exploit a native gift for melody without the need to engage in

dense musical arguments. Among the purely orchestral pieces, the *Symphonic Dances* and the *Norwegian Dances* are based on traditional Norwegian tunes. Others, such as the *Lyrical Suite* and the *Elegiac Melodies*, are arrangements of small piano pieces or songs. Järvi is apt to be strenuous with them, rather than easygoing, but it is useful to have these musical picture postcards collected together.

Even *Peer Gynt* is really a collection of miniature mood paintings rather than a large single canvas. (Of one movement the composer wrote "It stinks of cow-dung and Norwegian insularity... but I think people will sense the irony behind it!") Anybody who is fond of Grieg's music will have acquired this 1988 set already, but it is worth giving a reminder that this was the first recording to use the complete score, as the composer originally intended it.

The most interesting new discovery is *Olav Trygvason* - described as a "torso of an opera", but really more of a pagan oratorio. Grieg attended the first performance of Wagner's *Ring* as a reporter for his local newspaper and *Olav Trygvason*, begun just three years earlier, would clearly have turned out a Norwegian epic of a similar, if more mod-

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***Karen Fricker reviews Hal Prince's  
new production of 'Show Boat'***

Rooney, and his own signature soft turn as Truman Capote: floppy hands, floppy hair, camp demeanour, and bizarrely elongated diction. Stritch, of course, plays Stritch, which is fabulous in *Sondheim's Follies* or *Company* but wholly out of place here: he undisguisably contemporizes physical presence, gravely voice, and wisecracking delivery seen from a different planet than the material.

*From the Oltecs to Frida Kahlo, Patricia Morison finds them all in Belgium at the Europalia 93*

A high-contrast, black and white photograph showing a group of people, including children, gathered in front of a building with a large arched doorway. The scene is outdoors, and the image is grainy and high-contrast.

Hernan Cortes in 1521, is one of the whole only thinly evoked with certain exceptions from New Spain. My favourites were a remarkable 17th-century painted genealogy of the fam-

picture of which peoples were active when. *Maya-Meropeiros* is the key and saves the latter show, a survey of the Mayan city-states from the Yucatan to the Nicaraguan frontier in the classical and post-classical period (200-1500AD).

The aim is to show how distinct these city-states were. Anyone not reading French (or Dutch) is at a disadvantage although the show has a clear lay-out. Essentially it is one large space mapped chronologically into city-states - Bonampak, Jaina, Chichen Itza, Palenque, and Uxmal. Stylized ash design print stepped details and turquoise decoration everywhere to suggest Mayan temples.

Astonishing and even beautiful things are in the show. Highly carved figurines from Jaina, the island necropolis, have jointed limbs and detachable shields for the warriors, like Action Man dolls, as well as figures such as old women and hunchbacks who have much to tell archaeologists about Mayan society. Here is also a show to discover the Mayans' incredible skill at using primitive means to carve obsidian and jade.

The catatone, clear and

readable, will give you the latest news from the bloody Mayan battlefield, whether the hieroglyphs really can be read (yes, is the answer). My world is richer for learning that jade comes from Spanish for "stone of the kidneys", *jada*, because the conquerors followed Mexican practice in taking powdered jade as a medicine. No doubt that was the fate of many fabulously carved necklaces such as stout Cortés gave his marquesa on their betrothal. See also the very fine pre-Columbian rooms at the Cinquantenaire museum which reopened last week after four years.

A smaller exhibition I liked is *Crucible of Hope* at the BBK headquarters, place Royal 6. A survey of Mexican history from 1510 to 1910, it surveys a century of revolution. The Belgian link is poignantly presented, less in the person of Empress Charlotte who, I learnt, was an insanely ambitious woman who forced poor Maximilian to accept the throne, than in the story of the Belgian volunteers who left from Oudenarde to defend their princess.

Ghent has a superb exhibition of silver, mostly religious, from New Spain in the fine new galleries of the Museum voor Sierkunst; and shows elsewhere explore popular art through masks, Day of the Dead paraphernalia, and the muralists. For a Europa catalogues.

### *Alastair Macaulay reviews 'Huge'*

good look at it." This image—laying comedy out on the slab and anatomising it in its lifeless condition—says it all.

I hardly like to say that *Huge* would be more huge—funnier and more telling—if it were performed by more experienced comic players. Despite a dotting audience on press night, Miller and Godley showed a few signs of tenseness. I also think *Huge* would be yet funnier if it were in yet more deadlly earnest about Warren and Clark themselves and gave them more wretchedly human dimension. We know their ambition all right, but we do not know them well.

But I talk of flaws only

because the core of *Huge* is haunting. The plight of those who *want*, terribly, to be funny; the horror of those who *must* take comedy prisoner and lock it up in solitary confinement; the misery of those who want so to conquer the world with comedy that they will cry because there will be no comedy left to conquer...Ye Gods. When *Huge* is good – most of the time – it is as chilling as it is funny. It is a joke about the huge ambitions that delude little minds – about a fantasy of comedy as power.

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**At the King's Head, Islington, until October**


[illegible]

# Nicholas Powell fails for dealer

An estimation of between F30m and F50m has now reached. The sale will contain anything between 500 to 1,000 lots ranging from vases, statues, wrought-iron balconies, banisters and screens and parquets flooring to a huge quantity of furniture.

Outstanding items include four marble statues of the Four Seasons by turn of the century artist Raoul Verlet which Steinlitz sold to a Japanese collector for \$2m only to have an export licence refused by the socialist minister for culture, Jack Lang. Auctioneer Millon will also sell a large and very rare Louis XV terracotta fountain in the shape of two dolphins and a mask of Neptune. Probably made for the chateau of Versailles, the fountain is depicted in the painting "Le Bain de Venus" by 18th century artist François

[illegible][illegible]

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8.02	<b>MERCEDDES SOUSA</b> Solo London premiere of Argentine's greatest vocalist.	Serious Spokeshout	
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24	<b>ROYAL PHILHARMONIC ORCHESTRA</b> Peter Macdonald Davies (cond) Glynis Pugh (violin) Holist Edward Henth, Maxwell Davies Violin Concerto; Vaughan Williams Symphony No. 5, £15, £12, £9, £7, £5	Serious Spokeshout	
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7.50	<b>PHILHARMONIA</b> Chamber Orchestra Alfred Brendel (piano), Dvorak Symphony No. 9; Weber, Overture, Der Freischütz; Brahms, Violin Concerto No. 2; Beethoven, Concerto for Violin and Piano; Liszt, Piano Concerto No. 2, £20, £17, £14, £9, £5	"Lon Phil"	
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27.00	<b>QUEEN ELIZABETH HALL</b>		
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7.45	£20, £15, £12.50, £10, £7.50		
24	<b>ALBAN BERG</b> Rudolf Czoch (piano) Dvorak International Chamber Music Series; Rudolf Buschindler (piano) Dvorak String Quartet, Sibelius Violin Concerto No. 1; Janáček String Quartet No. 1 (Patriotic Sonata) £15, £13, £9.50, £5	"SBC"	
24	<b>PANDIT BHIMSEN JOSHI</b> A Simple Journey into Inner Space featuring one of the world's great <i>ghyral</i> music (an important form of music from India). Sponsor: Navras Records Ltd	"Lon Phil"	
24	£20, £17.50, £12.50, £9, £5		
24	<b>LFO GERTHUY HOUSE</b> , JOHANN SEBASTIAN Bach, Festival Cantata, Rosa Pope, Janis Kelly, Jan Die Ruedemans Or & Aires, Warkent, Emperor, Vienns Woods, Blue Danube & more Soprano Ball in the Garden, £20, £17, £14, £9, £5	"LFO"	
24	<b>HAGEN QUARTET</b> International Chamber Music Series Haydn String Quartet in F minor, Op. 20 No. 5; Puccini Criesantini; Beethoven String Quartet in C sharp minor, Op. 18 £15, £13, £9.50, £5	"International Artists' Mgt Ltd/SBC"	
27.00	<b>THE BERT KAEMPERT ORCHESTRA</b> Tony Fleher (conductor) A full 17-piece big band plus strings & voices for original jazz arrangements of big band classics.	Tony Fleher	
27.00	£15, £12.50, £10, £7.50, £5		
7.45	<b>THE ENGLISH CHAMBER ORCHESTRA</b> Brian Wright (cond) Vesto Vestov (violin) The English Chamber Orchestra, 100 Violins, 100 K. 5, K. 212 Sym No. 4; G. Sibelius Suite, Brahms & Mahler, Op. 46 (Violin Concerto), £20, £17, £14, £9, £5	"WWA (London) Ltd"	
24	<b>JOHN HAMMOND</b> with special guest Gille Gavan Blues for the nineties from one of the great guitarists.		
24	£12.50, £10, £7.50	Serious Spokeshout	
24	<b>PURCELL ROOM</b>		
8.00	<b>AUTUMN JAZZ WITH MELANIE MARSHALL</b> , with Rodney Taylor, John Taylor, John Taylor, John Taylor, John Taylor James (perc) An informal evening of jazz, including (by guest) John and Cole Porter. £5, £3.50, £2.50, £1.50	"Hytek (P38) Ltd"	
24	<b>YOKO ONO</b> (piano) Beethoven Piano Sonata in G, Op. 22 (P38); Ch. 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418,		



TELEVISION

SATURDAY

**BBC1**  
7.00 Lullaby. 7.25 News. 7.30 Working Together. 7.40 Felt the Cat. 7.55 Peter Pan and the Pirates. 8.15 Midsouth Murders. 8.25 Tom and Jerry's Grand Prix. 8.30 Live and Kicking.  
12.12 Weather.  
12.15 Grandstand. Introduced by Steve Rider. 12.20 Football Focus. Last week's action in Europe and the FA Premiership. 1.00 News. 1.05 Golf: The Matchplay Championship. Coverage from Westwood. 1.25 Racing: The 1.30 Race. 1.35 Golf. 1.55 Racing: The 2.00 Race. 2.05 Snooker: The Grand Prix. Green-baize action from Reading. 2.25 Racing: The 2.30 Race. 2.35 Snooker. 3.05 Golf. 4.40 Final Score. Times may vary.  
5.15 News.  
5.25 Regional News and Sport.  
5.30 Happy Families.  
5.35 Dad's Army. Capt Mainwaring is outraged when his men are forced to play German soldiers in a training film. With Arthur Lowe.  
5.45 No. 9 House Party. New series.  
7.40 Big Break. Professionals Ray Redford, Joe O'Neil and Tony Knowles help contestants win big prizes.  
8.10 Casualty. Two sisters clash over their father's desire to commit suicide - should they risk imprisonment by allowing his last wish?  
8.15 Harry. The investigative reporter (Michael Elphick) goes undercover when he intervenes in a hostage crisis. But, contrary to his solicitor's advice, the stubborn Harry insists on tackling the problem in his own way, jeopardising his business and marriage. With Barbara Marten, David Roper and Ian Bartholomew.  
8.50 News and Sport: Weather.  
10.10 Match of the Day. Highlights from two of today's matches, plus the goals, views and news from the remaining fixtures.  
11.10 Danny Baker After All. Offbeat chat show.  
12.00 Golf: The Matchplay Championship. Highlights of today's semi-finals.  
12.40 Film: The Monster That Challenged the World. Ferocious sea beasts evict a series of atomic experiments and begin a reign of terror. Sci-fi horror, with Tim Holt (1957).  
1.05 (GMT) Weather.  
1.10 (GMT) Close.

**BBC2**  
5.15 Open University. 5.25 Macgregor's Scotland. 10.25 The World (English subtitles). 11.05 News. 11.25 Channel 4 (English subtitles).  
12.15 Film: Battle Hymn. An American preacher volunteers for military service during the Korean War, and founds an orphanage in the conflict-ravaged country. With Rock Hudson.  
2.00 Holiday Outings. Jill Dando visits Nepal.  
2.10 Civilisation. Sir Kenneth Clark discusses the culture of the later Middle Ages in France and Italy.  
3.00 Film: Interlude. (1957).  
4.25 Snooker: The Grand Prix. Top action from The Hexagon in Reading.  
5.30 Tennis: The Brighton International. Barry Davies introduces semi-final action from the women's tournament at the Brighton Centre.  
7.10 Scrutiny. New series. Anne Perkins presents parliamentary news and analysis.  
7.40 News and Sport: Weather.  
7.55 Snooker: The Grand Prix. David Vine introduces coverage of tonight's match.  
8.25 In At Number Ten. Archive footage of sporting events, news, television, film and music from former prime minister Margaret Thatcher's decade in office. Featuring a look at world events, including the fall of the Berlin Wall, the massacre in Rwanda, the famine in Ethiopia, plus a selection of lighter moments, notably Mrs Thatcher disco dancing in 1979 prior to winning the general election. Part of the After Margaret season.  
8.55 Snooker: The Grand Prix. Further action from The Hexagon in Reading.  
9.40 Animated Arias from Opera. Imaginative songs from Verdi's La Traviata, sung by the Chorus of the Academy of Santa Cecilia, and Delfino's Lakme, performed by Mady Mesle. Last in series.  
9.50 Mr Wroe's Wonders. Two more girls are drawn into the plans of charismatic preacher John Wroe. Final part of Jane Rogers' bizarre true-life drama set in 1830s Lancashire, starring Jonathan Pryce, Kerry Fox, Kathy Burke and La Williams.  
11.20 Video Diaries.  
12.30 Snooker: The Grand Prix. Highlights of tonight's play from Reading.  
1.45 Close.

**LWT**  
8.00 GMTV. 8.25 What's Up Doc? 11.20 The ITV Chart Show. 12.30 pm News.  
1.00 ITN News: Weather.  
1.05 London Today: Weather.  
1.10 Movies, Games and Videos.  
1.40 Wonders. A murderer to Tucson when a sheriff believes the killer's companion will attempt to spring him.  
2.10 Film: Beyond the Curtain. Richard Greene as a daring pilot who rescues a stewardess from East German spies. With Eve Bartok (1960).  
3.50 WWC Worldwide Wrestling.  
4.40 ITN News and Results: Weather.  
4.45 London Tonight and Sport: Weather.  
5.10 Celebrities. Gameshow, hosted by Roy Walker.  
5.40 Gladiators. Intrepid contestants from Manchester, Southport, Isleworth and Mansfield have their work cut out as they take on the might of the TV warriors.  
6.40 Blind Date.  
7.40 The Bill. London sets out to smash a car-theft ring, and Hilda seeks to improve the police's public image.  
8.10 Dame Edna's Neighbourhood Watch. The housewife megastar invades another unwitting victim's home - displaying the contents of their kitchen cupboards, bedrooms and linen drawers to the nation. Last in series.  
8.40 ITN News: Weather.  
8.55 London Weather.  
9.00 Film: I Love You to Death. Premiers. The wife of a womanising Italian-American pizza owner decides to murder her husband when she discovers his numerous infidelities. Farical black comedy, with Kevin Kline, Tracey Ullman, Joan Plowright and Kevin Kline (1988).  
10.45 The Big Fight. A disgraced Robinson takes on Colin McMillan in defence of his WBO Super Featherweight title. Presented by Jim Davidson, with commentary by Reg Gutteridge and Jim Watt.  
11.30 Film: After Hours. A mild-mannered computer programmer endures a number of bizarre encounters on the streets of New York. Comedy, with Griffin Dunne (1983).  
1.15 The Big E.  
1.18 (GMT) Get Stuffed: ITN News Headlines.  
1.20 News: Weather.  
1.25 Get Stuffed: ITN News Headlines.  
2.25 European Nine-Ball Pool Masters. 3.25 Night Heat.  
4.25 BPM: Night Shift.

**CHANNEL 4**  
6.00 Early Morning. 8.45 The American Football Big Match. 11.00 Gazette Football Italia. 12.00 Sign On. 12.30 pm LWT. In Her Court Voice.  
1.05 The Peruvian Paso Horse. The gait and national significance of these unusual horses.  
2.05 Racing from Doncaster. The 2.10 Variety Club Stakes. 2.40 Doncaster Stakes. 3.10 Racing Post Trophy. And the 3.40 Ladbrokes Handicap Stakes. Introduced by John Frankcombe.  
4.00 World Chess Championship. The latest moves from the Short v Kasparov game at London's Savoy Theatre.  
5.05 Brookside.  
5.30 Right to Reply.  
7.00 A Week in Politics. New series. In-depth analysis of parliamentary comings and goings; News Summary.  
8.00 World Chess Championship. Carol Vorderman introduces live coverage of the Nigel Short v Gary Kasparov match at London's Savoy Theatre. Commentary by British Grand Master Raymond Keene, Jonathan Speelman and Daniel King, and twice British Women's Chess Champion Cathy Forbes.  
8.30 Whose Line is it Anyway? Paul Merton, Tony Slattery, Steve Stein and Jim Sweeney satirise their way through more off-the-cuff comedy.  
9.00 The Carmichael Law. Oliver, keen for excitement, sets his sights on Calypso - but will his conquest prove as sweet as he hopes? Max resumes his pre-war career as a violinist. Drama adapted from Mary Wesley's novel, with Richard Johnson, Jennifer Ellis and Oliver Cotton (1992).  
10.05 Rory Bremner: Who Else? The multi-talented impressionist takes an in-depth look at the week's news stories.  
10.45 Film: Faces. A disappointed LA executive's marriage leads on the brink of collapse, prompting him to seek solace in the arms of a prostitute (1988).  
1.10 World Chess Championship.  
1.45 The Emigrants. Ferry Toller and Freddy Wolff, having made their escape to America, find themselves fighting for survival among New York's lower classes. Second part of Georg Stefan Toller's autobiographical trilogy, with Johannes Silberstein and Gabriel Byrne (English subtitles).  
2.55 (GMT) Close.

**REGIONS**  
ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:  
ARCADE: 12.30 Movies, Games and Videos. 1.05 News. 1.10 The World. 1.45 Movies. 2.10 Knight Rider. The Movie. (TVM 1985). 2.45 The A-Team. 4.55 News. 5.00 Sports. 5.05 News. 5.10 Local News. 5.15 Local News. 5.20 Local News. 5.25 Local News. 5.30 Local News. 5.35 Local News. 5.40 Local News. 5.45 Local News. 5.50 Local News. 5.55 Local News. 6.00 Local News. 6.05 Local News. 6.10 Local News. 6.15 Local News. 6.20 Local News. 6.25 Local News. 6.30 Local News. 6.35 Local News. 6.40 Local News. 6.45 Local News. 6.50 Local News. 6.55 Local News. 7.00 Local News. 7.05 Local News. 7.10 Local News. 7.15 Local News. 7.20 Local News. 7.25 Local News. 7.30 Local News. 7.35 Local News. 7.40 Local News. 7.45 Local News. 7.50 Local News. 7.55 Local News. 8.00 Local News. 8.05 Local News. 8.10 Local News. 8.15 Local News. 8.20 Local News. 8.25 Local News. 8.30 Local News. 8.35 Local News. 8.40 Local News. 8.45 Local News. 8.50 Local News. 8.55 Local News. 9.00 Local News. 9.05 Local News. 9.10 Local News. 9.15 Local News. 9.20 Local News. 9.25 Local News. 9.30 Local News. 9.35 Local News. 9.40 Local News. 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IT MAY have been the sun, or it may have been the joint of Malawi gold - a blissful and saintly substance - on which I had been puffing. Either way, last Sunday afternoon on Tiwi beach, south of Mombasa, found me in a mood of transcendent happiness. Mellow-yellow from tip to toe. Yet locked in the grip of a powerful idea.

Before I describe the idea, I ought to tell the story that had planted it in my head: a story about pygmies in the Central African Republic.

Sometimes at night, when their fire is low, these pygmies cover their bodies with phosphorescent mould and dance on the forest floor. Some years ago a French film crew showed up to make a TV special about the pygmies. The French had

heard about this phosphorescent dance and wanted to film it, but the pygmies weren't interested. There was no reason for the ceremony; they would be dancing just for show.

The film crew persisted. They upped and upped their offer until the pygmies agreed to dance. The pygmies rubbed on some mould and went through the motions. An interviewer approached a pygmy. "Tell us what the meaning of this dance is," he demanded, holding his microphone. The pygmy shook his head. The interviewer persisted. "This is very important. What is the dance about?" At last the pygmy

solemnly replied: "This is a dance we are doing for money."

I love that story because it celebrates simplicity. It cuts through the flimflam, boils things to their essence. As a result, on Tiwi beach, I was gripped by the notion that the biggest thing wrong with this sad and weary planet is that we think that our problems, many of them complex, can only be resolved by complex solutions. This strikes me as a fallacy that could strangle us.

Here is an example. A lot of people are horrified at the way we are chewing up species. It is thought that more than 5,000 species are becoming extinct annually. We are

Michael Thompson-Noel



running out of time even to catalogue this living wealth. Yet we dither and we fust.

The challenge sounds monumental. Yet its solution could be simple - just collect these threatened species and throw them in the freezer. Gregory Benford, who teaches phys-

ics at the University of California, writes, in *Earthwatch* magazine, that we ought to collect samples of plant and animal species from threatened habitats and freeze them in liquid nitrogen for long-term storage. Just post them to the future. The cost would not be great, perhaps a few billion.

"Because gene pools will shrink in a ravaged environment," says Benford, "reintroducing diverse traits from frozen tissue samples could help species bloom anew. With such a Library of Life, we may be able to recover lost ecosystems."

"For us to imagine and anticipate the Library of Life's potential uses

would be as hard as it would be for the Wright brothers to imagine a moon landing. Many biotechnological feats will emerge within a few decades - many ways of reading and using genetic 'texts.' But no advanced 'reader' and 'editor' can work upon lost texts."

Pondering this idea, on Tiwi beach, led me to conclude that other problems could be solved, painlessly and quickly, by keeping things simple.

Drugs? Legalise the lot of them. Efforts to combat drug-taking are costly and futile, so let us cut out the humbug. We let people drink or smoke themselves to death, or kill

themselves in cars, so why not the druggies? We should not be sentimental.

Crime? I would treat all minor crime seriously and all serious crime with vengeance. I am in favour of capital punishment. The arguments against it are flimflam.

My reverie on Tiwi beach came to a brutal end when a young girl ran up with an item of hot news. She said: "Things are looking tricky. The tribe that lives on the hill has just declared war on the tribe that lives near the beach. Those who live on the hill but are presently at the beach are returning to the hill, while those who live at the beach but are presently on the hill are returning to the beach. What should we do?"

I said: "There is bound to be a solution - something incredibly simple. We must jettison all flimflam."

But I couldn't think of a thing.

## Private View

# A Wren with the will to shoot and kill

IN THE DAYS of sail, girls who yearned to go to sea would cut their hair and dress up as cabin boys. There is something boyish, too, about the brisk gait of a certain air lieutenant on the aircraft carrier *Ark Royal*.

Lieutenant Deborah Heesom trained as a weapons analyst and is the only female officer aboard the Royal Navy's flagship. At the end of the month, this smart and feminine 28-year-old will lose, officially, her sexual identity.

For the senior service has crossed the gender bar. The armed forces minister confirmed this week that the Women's Royal Naval Service is to be merged fully with the navy. The retiring commandant, Anne Spencer, will not be replaced.

Wrens have been sent to sea for the past three years, and there are 800 afloat today on 27 vessels. In spite of protests by navy wives, occasional complaints of sexual harassment, and lavish media coverage of what the minister this week tactfully called "incidents," the navy continues to proclaim mixed manning a success. Privately, it has commissioned a sociological study.

But should women go to war with men?

Heesom has just returned from patrolling the Adriatic in support of British troops in Bosnia. For seven months, *Ark Royal's* crew of 90 Wrens and 1,000 sailors were squashed together like the beef and chicken filling of a multi-decker metal sandwich. The lieutenant appeared unbruised by the experience - although not, as she later revealed, unaffected.

*Ark Royal* was berthed at Portsmouth for an overhaul and I was invited to lunch in the wardroom. There, we met one of Heesom's colleagues in the aircraft support section, a male officer confusingly named Lyn. Afterwards, accompanied by a chaperone Wren from the Ministry of Defence, we adjourned to a vacant cabin.

For thousands of years, I said, all the fighting has been done by men. Isn't there something inappropriate about women going to war?

"No, I don't think so," Heesom replied. "Only really this century have women started to stand up and be noticed. If we are capable and intelligent enough to do the job, there is absolutely no reason why we shouldn't."

"OK, you may think we should have babies and stay at home and look after them. But



Jeff Jones

there are an awful lot of females who would argue that point. We want to have the same opportunities, do the same things."

If you were required - it's not going to happen to you - to shoot a man with a rifle, would you do it?

"You say it's never going to happen but, if you are trained

to do it, it becomes automatic. It's the camaraderie, it's the unit that's fighting, not you as an individual."

"Would you knowingly kill another human being?"

"I don't think anybody would like to answer that easily, male or female. If it was me or him, then most definitely."

Would you like to see action? "I don't think anybody likes war, do they?"

Then why join the navy? "To defend the country in peace time. If war did occur, then we'd go and defend our country. But nobody wants to go to war."

I mentioned the case of a United States army woman

driver in Panama who was said to have cracked up under fire. "It could happen to a man, too. I don't think you can separate it by gender. It can affect people in the strangest ways, be they male or female."

The fact that you are capable of bearing children makes no difference? "No, I don't think so."

Heesom eventually conceded that men and women - she calls them males and females - might have a different attitude to the job.

Some men quite like fighting, I observed.

"So might some women. I don't know. But I think it's a strange individual who wants to go to war and kill people."

You make it sound like an office job.

She laughed. "No, not at all." Debbie Heesom wanted a vocation, considered the police, and joined the Wrens 10 years ago with A-level maths, further maths and physics from a Cheshire grammar school. She took a degree in naval engineering and trained at Dartmouth.

I asked if she were the tomboy type.

"She laughed, warily. 'I wouldn't say tomboy but I liked doing some things boys did. I was in a big marching band, which was mixed gender. I never felt competitive. I never felt I was out to achieve and prove something.'

"The fact that I'm in the military doesn't mean I'm a tomboy. And I think the majority of Wrens aren't. They're very feminine. We don't walk around with sort of bover boots and jeans on."

(Some do. Later, I read that Commandant Spencer was startled to meet a Wren stoker with "Mum" tattooed on her shaven head.)

Seagoing Wrens are allowed to wear make-up if it is discreet enough to match the blue of their stripes. They can even wear nail varnish. They may sunbathe when they are free and the flight deck is open. Topless? "Er, no. I don't think the girls would want to. They have pride and standards."

Suppose the ship took a direct hit, I continued, and there was a lot of blood and guts and twisted metal about. Would you be able to do what the men would?

"Yes, because I'm trained as thoroughly as they are."

"Wouldn't they want to get you out of the way?"

"That is a possibility. I've got to be honest. They may feel that. However, we are trained to a degree where everything

becomes automatic."

In fact, Heesom could not be removed in an emergency. She is in charge of two of the carrier's fire-fighting teams.

Are women actually better at some things, then?

"Yes. Some Wrens are smaller and more agile, or they have smaller hands to do intricate work on aircraft maintenance. It's a matter of choosing the right man for the right job, as always."

Do you cry? "Don't all females?" Her laugh was a rebuke to the male chauvinist before her. "Er, no. If I feel down, I've got my own cabin to skulk away in. I have

*This week, the government announced that the Women's Royal Naval Service would be scuttled. Despite initial protests, however, Wrens have been serving at sea for three years. Christian Tyler meets one of them*

friends on board to talk to. We have a camaraderie that's second to none. Everybody has their ups and downs at sea, being away for such long periods of time."

Do you say to yourself: "I am a Royal Navy officer and I must not cry?"

"Not because I'm a Royal Navy officer. If I was the manager of any company, I wouldn't crack up in front of my employees." But she would, she admitted, quite like another senior woman to talk with.

Have you encountered hostility?

"No, I haven't."

Do you encounter male chauvinism?

"Yes, you do, but not often. There's bound to be the odd one or two that do feel anti-female. Generally speaking, we don't get it to our faces. The jokes we have are gender-free. I think they are very aware of

the situation, appreciate it's very new. We are professionals doing a job at the end of the day. I personally don't think there's a problem at all."

We had talked about gender. Now I had to ask about sex.

Were you not apprehensive about being locked up with a lot of men for so long? Don't people fall in love?

"It does happen. There are three couples getting married from this ship from the last deployment. But people are generally very sensible, professional."

The no-touching rule exists. So people wait till they get shore-side. When they get into

husbands very much, then, that's my opinion. We are not promiscuous little so-and-so's who are going to go running off with their husbands. Far from it. We have standards and morals as well. But I can see their worries, apprehensions. Nobody likes change."

Is it like a co-ed school, where there is an undercurrent of sex but discipline to prevent it?

"No, we're adults. We're mature human beings. We've joined the service and we accept the rules."

Heesom was not, I thought, trying merely to put the best gloss on things for the benefit of her audience. A naval vessel, especially one the size of *Ark Royal*, is more like a factory-cum-hotel than a ship.

"If I worked in an office with a guy that I really liked," she pointed out, "I wouldn't start groping him in the office."

"I might go out for a drink with him in the evening, away from work. It's the same thing."

Earlier, I had asked Heesom about her marital status and she told me she was divorced. Have you thought of getting married again?

She paused for a second. "...em, yes," then laughed. "Yes, I have."

It emerged that she was talking about an observer stationed at Cullerose naval air station in Cornwall.

You met on this ship? The lieutenant wriggled but agreed. She said he had been assigned to a fighter aboard *Ark Royal* for the duration of the Adriatic tour. She saw him every day.

You fell in love with him, not to put too fine a point on it?

At this point, the ministry's chaperone intervened with some haste. "She met him at sea but the relationship itself has blossomed since." Heesom agreed that was it.

Still, given the subject we had been discussing, I thought it was a courageous admission.

As they say in Europe / James Morgan

## British time, gentlemen, please

THE ONE area where the British seem prepared to sell out to "Europe" is the one where there is no external pressure for them to do so. Tonight, the clocks go back in Britain, returning it to the lap of Greenwich Mean Time. There are, however, many voices demanding that daylight saving time should become standard time despite the failure of an experiment on those lines 25 years ago.

Last weekend, the *Mail on Sunday* ran a poll which, it said, showed that "a clear majority favours keeping our time in line with Europe, which has summer time the year round." So, we are reminded of those long, balmy January evenings in Hamburg where the sun does not set until about 1800 hours while poor Londoners have to put up with it disappearing at 4 pm.

The *Mail's* dream of permanent summer time is not the only argument deployed in favour of "moving an hour ahead." There is the usual dreary thesis about "giving a boost to tourism" - code for a vested interest wanting more of my money.

Then, there are the Policy Studies Institute and something called Daylight Extra, which say more than 100 lives would be saved by the change. But the number killed on British roads actually rose, compared with the previous three-year period, during the last experiment with continental time in 1969-71. Road deaths started to fall soon after GMT was restored and have dropped steadily ever since.

And, finally, there is the argument of the Confederation of British Industry: its members need frantic commercial intercourse with their continental counterparts for eight hours a day. Seven are not enough. The Japanese are seven hours ahead of Europe and 11 from the Atlantic coast of North America; we all know of the failure of their commercial forays in those areas.

When time zones first were agreed, Greenwich was fixed as the mid-point of its zone, which meant that its eastern border was on the river Rhine. But the French today are on central European time because of a last act of collaboration. The Germans imposed *l'heure allemande* during the second

world war occupation and the French failed to change back when they left.

As a result, the morning rush hour in Paris is even more hellish than usual. In December, darkness reigns until well after the offices fill and shadowy figures in bars fortify themselves with extra glasses of cognac before they

*'One of London's greatest strengths is that it isn't anywhere else'*

are steered for the so-called day. Road deaths are twice the level of London. What it is like on the western edge of Britain, I can only imagine.

The pressure to move the clock forward reflects the familiar vanity that reality is ours to change. But the earth turns on its axis, and Belfast is in a different time zone from Belgrade because it is in a different place.

If Britain were to change, would the republic of Ireland, on the western edge of GMT,

also change? If not (and why should it?), there would be a north-south time zone across the island, so that the Londonderry sun would not rise until nearly 11. But perhaps the north would stay with the republic, thereby creating two time zones within the United Kingdom - and handing a propaganda victory to the IRA.

The clock jugglers reflect a traditional British belief that fundamental improvements can be gained through apparently painless institutional change. A poll tax can distribute the cost of local government fairly; summer time can be achieved by sleight-of-clock hand.

One hour saves a hundred lives. So, why not move forward two hours and save 200? Then, move a mere three hours more to Pakistan time: the dead would doubtless rise from their graves, it would never get dark until nine in the evening, and tourism would flourish.

There remains a rule which, however, has stood me in good stead on my travels over the years. The sun rises in Berlin one hour before it is seen in London. Yet, strangely, there

is no organisation like Daylight Extra in Berlin. No German minister is plagued with calls to move the clock forward so as to cut the accident rate, reduce energy costs and achieve "summer time all year round just like they have in Lithuania."

Think, though, what would happen if the Germans indulged in such fads. Suppose Britain were to move an hour ahead and the Germans did the same at the behest of *Tagelicht Extra*. The Confederation of British Industry would then demand that Britain move again - just "to keep up with the continent."

When the Baltic states regained their independence, their first act was to move their clocks one hour back from Moscow time. Single time zones across huge areas are totalitarian phenomena - the Nazis imposed them, China has them today. The diverse European Community covers three time zones. But one of London's greatest strengths is that it is not anywhere else - so let us not pretend it is.

James Morgan is economics correspondent of the BBC World Service.

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